

No.

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Supreme Court, U.S.
FILED

05-417 SEP 29 2005

IN THE OFFICE OF THE CLERK

Supreme Court of the United States

EMPRESA CUBANA DEL TABACO, d/b/a CUBATABACO,
Petitioner,

—v.—

GENERAL CIGAR CO., INC., and GENERAL CIGAR HOLDINGS, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Whether the Executive's foreign affairs powers under Article II and the Trading with the Enemy Act to conduct the United States' embargo of Cuba oblige the courts to defer to the Executive's reasoned determination that its embargo regulations do *not* bar judicial relief granted to a Cuban enterprise, particularly when the Executive advises that its construction of the regulations avoids the violation of treaty obligations (the requirement to protect "well-known" trademarks under Article 6*bis*, Paris Convention for the Protection of Industrial Property), implicates the reciprocal protection of U.S.-owned trademarks in Cuba, and is consistent with the embargo's purposes.

2. Whether the United States' treaty obligations to Cuba under Article 6*bis* of the Paris Convention remain in effect, in accordance with the Executive's affirmation of those treaty obligations, or whether they have been implicitly abrogated by section 102(h) of the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act (1996).

3. Whether section 44 of the Lanham Act implicitly abrogates Articles 7 and 8 of the General Inter-American Convention for Trademark and Commercial Protection, identified by this Court as self-executing treaty provisions that mandate judicial relief against the knowing registration and use of a treaty national's foreign trademark.

PARTIES TO THE PROCEEDINGS BELOW

All parties appear in the caption of the case on the cover page.

CORPORATE DISCLOSURE STATEMENT (Rule 29.6)

Petitioner Empresa Cubana del Tabaco, d.b.a. Cubatabaco, is a Cuban enterprise with juridical personality established by Law No. 1191, dated April 25, 1966, of the Republic of Cuba, and is subject to the jurisdiction of a Cuban ministry. It has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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PETITION FOR WRIT OF CERTIORARI

Empresa Cubana del Tabaco, d.b.a. Cubatabaco, a Cuban state enterprise, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

Opinions Below

The court of appeals' February 24, 2005 opinion (1a-48a) is reported at 399 F.3d 462. Its June 1, 2005 order denying rehearing and rehearing *en banc* (49a-50a) is unreported. The April 30, 2004 judgment and order of the United States District Court for the Southern District of New York (Sweet, J.) (76a-82a) is available at 2004 WL 925647. The district court's March 26, 2004 post-trial opinion (116a-235a) is reported at 70 U.S.P.Q.2d 1650 and available at 2004 WL 602295. The court's June 26, 2002 opinion (relevant portions at 236a-254a) is reported at 213 F. Supp. 2d 247, and its October 8, 2002 opinion (relevant portions at 255a-263a) is available at 2002 WL 31251005.

Jurisdiction

The court of appeals' judgment was entered on February 24, 2005 (1a). The order denying petitioner's timely petition for rehearing, and for rehearing *en banc*, was entered on June 1, 2005 (49a). On August 15, 2005, Justice Ginsburg issued an order extending the time to file a petition for a writ of certiorari to September 30, 2005. The jurisdiction of the Court to review the judgment of the court of appeals is invoked under 28 U.S.C. § 1254(1).

Statutory, Treaty and Regulatory Provisions

The following are reprinted in the Appendix: Trading With the Enemy Act, 50 U.S.C. App. § 5(b), as amended, Pub. L. No. 95-223, § 101, 91 Stat. 1625 (1977) (83a-85a); Cuban Assets Control Regulations, 31 C.F.R. Part 515 (selected provisions) (86a-91a); Paris Convention for the Protection of Industrial Property, 21 U.S.T. 1583 (1970), Arts. 2, 6*bis*, 25-26, ratified as to Arts. 1-12, 24 U.S.T. 2140 (1973) (94a-96a); Agreement on Trade-Related Aspects of Intellectual Property Rights, Arts. 2-4, Pub. L. No. 103-465, § 101(d)(15), 108 Stat. 4809 (1994), adopting TRIPs, H.R. Doc. 103-316, Vol. 1, Annex 1C (1994), also at 33 I.L.M. 81 (1994) (97a-98a); General Inter-American Convention for Trademark and Commercial Protection, Arts. 7-8, 46 Stat. 2907 (1930) (98a-100a); Lanham Act, 15 U.S.C. §§ 1125(a), 1126, 1127 (100a-105a); and Cuban Liberty and Democratic Solidarity (LIBERTAD) Act, Pub. L. No. 104-114, § 102(h) (1996), 22 U.S.C. § 6032(h) (106a).

Statement of the Case

This petition concerns judicial deference to the Executive's conduct of the United States' embargo of Cuba, and judicial restraint in finding implicit legislative abrogation of treaty obligations that the Executive has advised remain in effect.

The Second Circuit refused to apply deference principles to the Executive's submission that its embargo regulations do *not* bar the district court's grant of limited but significant relief to petitioner, a Cuban state enterprise, in this international trademark dispute. Instead, the court below substituted its own independent construction of the regulations in concluding that the embargo does bar relief.

The Executive advised that the district court's grant of relief is not only consistent with the embargo regulations, but is required by the United States' continuing treaty obligations to Cuba. The Second Circuit rejected the Executive's advice that these treaty obligations remain in effect with respect to Cuba, and instead held that they were implicitly abrogated by an Act of Congress.

The Second Circuit's rulings thwart the Executive's conduct of the Cuba embargo and place the United States in violation of its acknowledged treaty obligations, contrary to the Executive's express wishes and in the absence of clear congressional command. Further, the Second Circuit's decision adversely implicates the reciprocal protection of U.S.-owned trademarks in Cuba, contrary to the Executive's efforts to safeguard U.S. interests. By implication, the decision also threatens Executive authority over other embargoes.

1. Cuba's most renowned product is cigars, and COHIBA is Cuba's most famous and prestigious cigar brand (134a-136a). As a treaty national, petitioner, Cubatabaco, has the right to register the COHIBA brand as a trademark in the United States on the basis of petitioner's Cuban registration, pursuant to the Lanham Act, 15 U.S.C. § 1126(e) (103a), the Paris Convention for the Protection of Industrial Property, Art. 6*quinquies*, 21 U.S.T. 1583 (1970), and the General Inter-American Convention for Trademark and Commercial Protection, Art. 3, 46 Stat. 2907 (1930).

In January 1997, petitioner filed an application to register COHIBA with the United States Patent and Trademark Office and a petition to cancel respondents' registration of an identical mark, which blocks petitioner's application (161a-162a). During the cancellation proceedings, respondents ("General Cigar") launched a

COHIBA-branded cigar on a national scale (163a), forcing Cubatabaco to bring a district court action in November 1997 for an injunction, as well as for cancellation. The district court's jurisdiction was founded on 15 U.S.C. § 1121, and 28 U.S.C. §§ 1331, 1332(a), 1338, and 1367.

On April 30, 2004, after extensive pre-trial proceedings and a bench trial, the district court granted relief to Cubatabaco (76a-82a). The district court found that media attention had made the Cuban COHIBA "famous" among U.S. consumers, even though Cuban cigars cannot be sold here because of the embargo (132a-148a, 189a-200a), and that respondents' *subsequent* adoption of an identical mark had created consumer confusion prohibited by section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (162a-175a, 200a-217a). The court found that respondents had intended, in their own words, to "capitalize" on the "notoriety" of the Cuban COHIBA by adopting an identical mark (138a, 142a-143a, 164a). The court ordered cancellation of respondents' registration and enjoined their use of COHIBA.

2. On appeal to the Second Circuit, General Cigar argued *for the first time* that the United States' embargo regulations, the Cuban Assets Control Regulations, 31 C.F.R. Part 515 ("CACR"), preclude the federal courts from granting any relief to Cubatabaco. The Second Circuit sought guidance from the Executive branch on this new issue.

The Treasury Department, which promulgates and administers the CACR, responded on behalf of the Executive in a brief jointly submitted with the Justice Department, after "high-level consultations" with the State Department, the Office of the United States Trade Representative, and the Patent and Trademark Office. U.S. Motion, Oct. 1, 2004. The Treasury Department expressly

advised the Second Circuit that the district court's cancellation and injunction orders are *not* barred by the embargo regulations, and do not subvert the embargo's purposes (74a, 60a). The Executive's *amicus curiae* brief is reprinted in the Appendix (51a-75a).

The Treasury Department acts pursuant to Congress' exceptionally broad grant of authority to the President in the Trading With the Enemy Act ("TWEA"), 50 U.S.C. App. § 5(b). TWEA gives the President plenary authority to prohibit "transfers" of "property" in which Cuban nationals have an "interest" (83a). The President may exercise that authority "under such rules and regulations as he may prescribe, by means of instructions, licenses or otherwise," and may "prescribe from time to time, definitions, not inconsistent with [TWEA's] purposes," of the statutory terms (84a). Since 1977, the Treasury Department has implemented Presidential decisions to impose new embargoes under the identical authority provided the President by the International Emergency Economic Powers Act, 50 U.S.C. §§ 1702(a)(1), 1704 ("IEEPA").

The Executive's construction of the CACR expressly honors U.S. treaty obligations to Cuba. In its submission, the Executive advised that the United States adheres to its obligations to Cuba under Article 6*bis* of the Paris Convention, and that the United States is "*required*" by Article 6*bis* to grant cancellation and injunctive relief on the facts found by the district court (66a, 71a-72a) (emphasis supplied).¹

¹ Article 6*bis* provides that the host country "undertake[s] . . . at the request of an interested party, to refuse or to cancel the registration, and [] prohibit the use" of a mark that is "liable to create confusion" with the "well-known" mark of a treaty national (95a). The district court recognized that Article 6*bis* requires grant of the cancellation and injunction orders (186a).

The Executive also advised that its construction of the CACR provides the reciprocity essential to the protection of U.S.-owned trademarks abroad (72a). Notwithstanding the four-decade old embargo, the United States and Cuba have maintained extensive trademark relations. In order "to provide reciprocal protection for the intellectual property of Cuba and the United States" (92a), the CACR authorizes Cuban enterprises to register their marks here (89a). In accord with the Paris Convention, Cuba permits U.S. companies to register their marks in Cuba, and hundreds of U.S. companies have registered over 5,000 trademarks there. Cuba's Supreme Court has held that U.S. nationals are entitled to protection in Cuba under Article 6*bis*. Decision No. 833 (HARD ROCK CAFÉ) (1995) (107a-115a).

The Executive further advised that honoring Article 6*bis* obligations and reciprocity does not offend the CACR's purpose of denying Cuba hard currency (60a, 66a-67a).

3. The Second Circuit rejected the Executive's construction of the CACR and held that the embargo regulations bar the cancellation order and injunctive relief. Contrary to the Executive's advice that the CACR "do not prohibit the district court's order canceling [respondents'] registration and enjoining General Cigar from using the COHIBA mark" (58a) (emphasis supplied), the Second Circuit ruled precisely the opposite: "to obtain cancellation of General Cigar's mark and an injunction barring General Cigar from using the mark in the United States . . . would entail a transfer of property rights in the COHIBA mark to Cubatabaco *in violation* of the embargo" (19a) (emphasis supplied). The Second Circuit reversed the district court's cancellation and injunction orders entirely on this basis: "Cubatabaco's claims for injunctive relief based on Section 43(a) [of the Lanham Act] and the Paris Convention fail because they entail a

transfer of property rights to Cubatabaco in violation of the embargo" (29a (section header)).

The court below did not acknowledge or purport to apply either the principles of judicial deference derived from the President's TWEA and Article II foreign affairs powers, or the traditional deference afforded to an agency's construction of its own regulations, and did not explain why they were inapplicable. Indeed, the court below barely acknowledged its rejection of the Executive's clearly stated position.

Although the Executive found the cancellation and injunction orders consistent with the CACR, it separately concluded that the CACR bars Cubatabaco from obtaining ownership of the United States trademark for COHIBA on account of the Cuban COHIBA's renown (61a-67a). The Second Circuit's unexplained failure to apply deference principles is explicable, if at all, only by the court's apparent belief that these are inconsistent positions.

The Executive explained its differentiated application of the CACR by reference, *inter alia*, to the CACR's text, the CACR's foreign policy purposes, and the United States' treaty obligations under Article 6*bis*. Soon after the Second Circuit's decision, this Court decided *National Cable and Telecomms. Assoc. v. Brand X Internet Servs.*, __ U.S. __, 125 S.Ct. 2688 (2005), which addresses whether, even outside the foreign affairs context, supposed "agency inconsistency" relieves the courts of the requirement to apply deference principles.

4. In its submission, the Executive advised that regardless of whether the district court's *cancellation* order worked an otherwise prohibited transaction, the Treasury Department has "made clear" that cancellation is authorized "[a]t any rate" by CACR general license § 515.527 (60a, 92a-93a, 89a-90a). The Second Circuit

never addressed the Treasury Department's position and simply ignored the general license.

5. Because the Second Circuit rejected the Executive's submission, which avoids conflict between the CACR and Article 6*bis*, the lower court was obliged to decide which prevails. The Executive advised that the United States' Article 6*bis* obligations to Cuba continue in effect and are consistent with the embargo's purposes (66a, 71a-72a). However, the Second Circuit, in a one-sentence ruling, found *implicit* treaty abrogation on the basis of the court's own construction of the CACR, in combination with the provision in the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act, Pub. L. No. 104-114, § 102(h) (1996), 22 U.S.C. § 6032(h), that "[t]he economic embargo of Cuba, as in effect on March 1, 1996, including all restrictions under [the CACR], shall remain in effect," subject to certain specified events (106a).

If the Executive's application of the CACR is accepted, there is no need to reach the LIBERTAD issue. If not, then the Second Circuit's ruling that the LIBERTAD Act abrogates Article 6*bis* comes to the fore: the Second Circuit acknowledged that petitioner "may be correct" that Article 6*bis* provides a basis for relief, and that, save for the LIBERTAD Act, the United States' ratification of Article 6*bis* may prevail over conflicting provisions of the CACR (37a-39a).

6. The Second Circuit's decision not only places the United States in violation of its acknowledged treaty obligations to Cuba under Article 6*bis*, but in violation of the WTO TRIPs Agreement, and thus subject to possible WTO sanctions. See TRIPs Article 2.1 (incorporating Article 6*bis*); Article 4 (most-favored nation treatment) (97a-98a).

The Second Circuit's decision also implicates the United States' active effort to ensure protection of U.S. trademarks throughout the world, including, in particular, the special protection for "well-known" marks provided by Article 6*bis*. Advocating faithful, non-discriminatory adherence to the Paris Convention and TRIPs, including specifically Article 6*bis*, is the cornerstone of the United States' effort. *See, e.g.*, Office of the U.S. Trade Representative, 2003 Special 301 Report, Special 301 Watch List (Mexico); *id.*, Section 306 Report (China) (available at www.ustr.gov).

7. The court of appeals rejected petitioner's distinct claims under the General Inter-American Convention for Trademark and Commercial Protection ("IAC") on the ground that the Lanham Act implicitly abrogates IAC Articles 7 and 8 for *all* treaty countries (41a-42a). These are self-executing treaty provisions, *Bacardi Corp. of America v. Domenech*, 311 U.S. 150 (1940), that mandate cancellation and an injunction on a showing, made here, that a U.S. party adopted a mark with knowledge of a treaty national's pre-existing, confusingly similar foreign mark (98a-99a).

Reasons for Granting the Writ

Summary of Reasons to Review the Decision Below

1. The court of appeals' rejection of the Executive's construction of its embargo regulations presents an important structural issue concerning the deference due the Executive in its conduct of the United States embargo of Cuba, and, by direct implication, all other embargoes. This Court has recognized that the Executive must be allowed to act with great flexibility when conducting foreign affairs through use of the President's exceptionally broad authority under the Trading with the

Enemy Act. Until now, the circuits have faithfully applied the Court's jurisprudence by affording heightened deference to the Executive's construction of its TWEA embargo regulations. The court below afforded the Executive neither TWEA-foreign affairs deference, nor even the traditional deference due an agency's construction of its own regulations.

The Court should clarify and enforce the requirement of judicial deference to the Executive's conduct of the Cuba embargo and other embargoes, particularly when the Executive's construction of its regulations: (a) avoids an unnecessary collision with treaty obligations and implicates the reciprocal protection of U.S. interests in Cuba; and (b) presents *only* foreign policy concerns. In accord with *National Cable and Telecomms. Assoc. v. Brand X Internet Servs.*, __ U.S. __, 125 S.Ct. 2688 (2005), the Court should clarify that deference to the Executive's "reasoned explanation[s]," 125 S.Ct. at 2710, including most prominently those based on *foreign policy* considerations, is not overcome by the lower court's belief that the Executive has taken inconsistent positions.

Because *National Cable* was decided subsequent to the Second Circuit's decision, petitioner respectfully suggests that the Court summarily vacate the judgment below so that the Second Circuit may apply the teaching of *National Cable* to this case.

II. The Second Circuit's finding of *implicit* abrogation of U.S. treaty obligations to Cuba, *against* the Executive's advice that those obligations remain in effect, similarly merits review. The lower court's decision presents such an unusual and threatening judicial intrusion into the Executive's traditional powers that it should be sanctioned, if at all, only by this Court. The Court should require far clearer indicia of congressional abrogation

than are present here before a court may disregard the Executive's affirmation that treaty obligations remain in effect.

III. By refusing to apply the Lanham Act and Article 6*bis* of the Paris Convention on their merits, the Second Circuit has frustrated congressional attempts to regulate intellectual property and protect consumers from confusion.

IV. The Court has never countenanced treaty abrogation under the relaxed standard that the Second Circuit adopted in holding that the Lanham Act abrogates IAC Articles 7 and 8. The Second Circuit relied not on the statutory *text*, but on what the court believed the *legislative history implicitly* reveals about Congress' underlying purposes. The Second Circuit's departure from the governing standards threatens the important IAC protections afforded to U.S. businesses abroad, and it creates a split with the TTAB, the principal forum for registration disputes. *See British-American Tobacco Co. v. Philip Morris, Inc.*, 55 U.S.P.Q. 2d 1585 (T.T.A.B. 2000).

This is the latest in a series of cases before this Court to grow out of the sensitive and complex relations between the United States and Cuba.² Because of the deference, treaty adherence, and separation-of-powers issues it presents, this case likewise merits review.

² *See Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398 (1964); *Zemel v. Rusk*, 381 U.S. 1 (1965); *United States v. Laub*, 385 U.S. 475 (1967); *First National City Bank v. Banco Nacional de Cuba*, 406 U.S. 759 (1972); *Alfred Dunhill of London, Inc. v. Republic of Cuba*, 425 U.S. 682 (1976); *First National City Bank v. Banco Para El Comercio Exterior de Cuba*, 462 U.S. 611 (1983); *Regan v. Wald*, 468 U.S. 222 (1984).

i. The Court Should Grant Review To Clarify and Protect the Deference Due the Executive When It Exercises Its TWEA and Foreign Affairs Authority To Interpret Its Embargo Regulations, Honor Treaty Obligations and Secure Reciprocal Protection of U.S. Interests

A. TWEA and Foreign Affairs Deference

1. The Second Circuit's disregard of deference cannot be squared with this Court's recognition that the Executive branch must be able to act with great flexibility, and limited judicial review, in utilizing the President's exceptionally broad TWEA and IEEPA authority to conduct foreign affairs. Unless reviewed, the Second Circuit's decision will produce an astounding, and unprecedented, result: The courts will have *expanded* an embargo against the Executive's wishes, and imposed a prohibition that conflicts with the Executive's foreign policy.

TWEA § 5(b)'s "sweeping statutory language," *Regan v. Wald*, 468 U.S. 222, 233 n.16 (1984), and "the legislative history and cases interpreting the TWEA fully sustain the broad authority of the Executive when acting under this congressional grant of power." *Dames & Moore v. Regan*, 453 U.S. 654, 672 (1981). Additionally, the Constitution commits to the President a "vast share of responsibility for the conduct of our foreign relations." *American Ins. Ass'n v. Garamendi*, 539 U.S. 396, 414 (2003) (internal quotations and citations omitted). Thus, Executive actions under TWEA are "'supported by the strongest of presumptions and the widest latitude of judicial interpretation, and the burden would rest heavily upon any who might attack it.'" *Dames & Moore*, 453 U.S. at 674 (quoting *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 637 (1952) (Jackson, J., concurring)). Here, the Executive's TWEA authority

is further bolstered by its confluence with the President's constitutional authority with respect to treaty adherence. *See, e.g.,* Rest. (3d) Foreign Relations Law § 339.

To protect the Executive's flexibility in exercising TWEA and IEEPA authority, the "strongest of presumptions," *Dames & Moore*, 453 U.S. at 674, must apply to the Executive's construction of its embargo regulations. For this reason, the circuits, until now, have recognized that in embargo matters, "which involve foreign policy and national security, [courts] are particularly obliged to defer to the discretion of executive agencies interpreting their governing law and regulations." *Paradissiotis v. Rubin*, 171 F.3d 983, 988 (5th Cir. 1999). The circuits have been uniform in adhering to the Executive's construction of its embargo regulations, with rare exceptions limited to cases where, unlike here, the Executive's application of its regulations threatens constitutionally protected interests.³ The court below did not afford the Executive's construction of the CACR any deference at all, let alone the "strongest of presumptions."

Indeed, the Second Circuit transformed the Executive's TWEA regulations from a flexible instrument in the Executive's foreign affairs armory into handcuffs that tightly constrain the Executive—even when treaty obligations and reciprocity concerns are at stake. This

³ For adherence to the Executive's position, *see, e.g.,* *Ministry of Defense v. Cubic Defense Sys., Inc.*, 385 F.3d 1206, 1216 (9th Cir. 2004); *Consarc Corp. v. Iraqi Ministry*, 27 F.3d 695 (D.C. Cir. 1994); *Semetex Corp. v. UBAF Arab American Bank*, 51 F.3d 13, 14 (2d Cir. 1995); *United States v. Herscorp*, 801 F.2d 70, 76 (2d Cir. 1986); *Richardson v. Simon*, 560 F.2d 500, 503-04 (2d Cir. 1977); *Comet Enterprises Ltd. v. Air-A-Plane Corp.*, 128 F.3d 855, 859 (4th Cir. 1997); *De Cueller v. Brady*, 881 F.2d 1561, 1565 (11th Cir. 1989). *Real v. Simon*, 510 F.2d 557 (5th Cir. 1975), rejected the Executive's interpretation out of due process concerns.

Court has continuously emphasized, however, that TWEA "vests flexible powers in the President . . . to deal with problems that surround alien property . . . in the manner deemed most effective in each particular case." *Markham v. Cabell*, 326 U.S. 404, 411 n.5 (1945) (internal quotations and citations omitted).

The Executive has done just that here. Its submission is a finely calibrated application of the CACR to an unforeseen issue that is not expressly addressed by the regulations. The Executive considered both the "spirit and letter" of the CACR (63a) "in the unique circumstances" of this case (72a), in a context that required consideration of treaty obligations, the protection of U.S. interests in Cuba, and the embargo's purposes (66a, 71a-72a, 60a). The Executive's resulting application of the CACR is tailored to "harmonize[]" the embargo regulations with treaty obligations to Cuba (71a) and to safeguard U.S. interests in Cuba without undermining the CACR's purposes (59a-61a).

This Court has recognized that to allow the Executive to address effectively such "problems[,] at once complicated and far-reaching in their repercussions," the courts must eschew "literalness of application" and afford the Executive a "wise latitude of construction in enforcing [TWEA's] purposes." *Guessefeldt v. McGrath*, 342 U.S. 308, 319 (1952) (cited in *Regan v. Wald*, 468 U.S. at 232 n.16). The Second Circuit has done just the opposite.

3. Only foreign policy concerns are relevant to the CACR's application here; there is nothing in this case to weigh against deference. The Executive has not exceeded its statutory authority, and respondents assert no constitutionally protected interest in the CACR shielding them from an adjudication on the merits. Compare, e.g., *Hamdi v. Rumsfeld*, __ U.S. __, 124 S.Ct. 2633, 2650

(2004) ("[The Constitution] most assuredly envisions a role for all three branches when individual liberties are at stake."). Nor do respondents claim the protection of any of the CACR's general licenses (*e.g.*, the licenses for inheritance or travel).

B. Adherence to Treaty Obligations

1. The Executive has exercised its TWEA authority here to determine whether the United States should honor or repudiate treaty obligations, an especially weighty foreign policy decision reserved exclusively to the political branches. *See Trans World Airlines, Inc. v. Franklin Mint Corp.*, 466 U.S. 243, 253 (1984). Such a decision is particularly entitled to deference.

This Court's decision in *Clark v. Allen*, 331 U.S. 503 (1947), specifically addresses the interplay of embargo regulations and treaties, but the Second Circuit ignored *Clark's* dictates. *Clark* involved an asserted conflict between World War II TWEA regulations and an inheritance treaty. In examining whether the embargo negated the relevant treaty rights, the Court did not employ the "literalness of application" it condemns as inappropriate in TWEA cases, *Guessefeldt*, 342 U.S. at 319. Instead, the Court asked whether the regulations "evinced such hostility to ownership of property by alien enemies as to imply that its acquisition conflicts with the national policy," and whether "the national policy expressed in [the embargo regulations] is incompatible with the right of inheritance." *Clark v. Allen*, 331 U.S. at 510.

In *Clark*, the Solicitor General explained why the focus on policy is required, in words that are directly relevant here and to other U.S. embargoes. The World War II regulations, carried forward in identical language in the CACR, were:

not addressed specifically to the problem of inheritance by enemies. If that problem is affected, it is only because of the comprehensiveness of provisions addressed generally to trading with the enemy. . . [Any] impact upon the reciprocal inheritance provisions of [the treaty] is incidental, subsidiary, and fortuitous. Abrogation of a treaty is hardly a matter to be concluded as an unintended consequence of a general legislative program.

Brief in *Clark v. Allen*, filed March 1947, at 23.

The Court's jurisprudence stands firmly against treaty abrogation that is an "unintended consequence" of general measures, *id. See, e.g., Franklin Mint*, 466 U.S. at 252; *Weinberger v. Rossi*, 456 U.S. 25, 32, 35 (1982); *Cook v. United States*, 288 U.S. 102, 120 (1933). *Clark* instructs that to safeguard against such a result here, the focus must be on whether the "national policy" served by the CACR is so "hostile" to Article 6*bis* that the two are "incompatible". Under the Court's TWEA/IEEPA-foreign affairs jurisprudence, when the Executive speaks to that question, as it has done here, it does so authoritatively.

The *Clark v. Allen* principle is critical to United States foreign relations, for the United States' relations with Cuba and other embargoed countries are interlaced with multilateral and bilateral treaties. *Clark* remains good law, as the Court noted in *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155, 178 n.35 (1993). It is not for the lower courts to disregard *Clark's* teachings, as was done here.⁴

⁴ The D.C. Circuit echoed *Clark v. Allen* in *American Airways Charters v. Regan*, 746 F.2d 865 (D.C. Cir. 1984) (per Ginsburg, J.), where the court construed the CACR to avoid constitutional issues. Because the CACR addresses economic transactions comprehensively, its "highly general" terms must be construed with an "eye" to

2. The Executive's submission is powerfully supported by the doctrine that "an act of Congress ought never to be construed to violate the law of nations"—here, ratified treaties—"if any other possible construction remains." *Murray v. The Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804); see also *Sale*, 509 U.S. at 178 n.35. *Charming Betsy* applies with no less force to regulations than to statutes, pursuant to which they are issued. Cf. *South Dakota v. Bourland*, 508 U.S. 679, 697 n.16 (1993) (that "regulations do not purport to abrogate treaty rights [is] not a startling proposition"). The Executive's plausible construction of the CACR shows that it is "possible," *Charming Betsy*, 6 U.S. at 118, to avoid conflict with the Paris Convention and TRIPs both as a textual and as a policy matter. Thus, the Executive's construction must be accepted under *Charming Betsy*.

C. *Chevron* and *Auer* Deference

1. Even if this case did not concern foreign affairs, the Second Circuit's decision would be facially deficient under the well-established *Chevron* framework. See *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). Whether the district court's cancellation and injunction orders work a prohibited "transfer" of "property" in which a Cuban national has an "interest" (86a)—the sole basis for the Second Circuit's ruling—is purely a "creature of [Treasury's] regulations." *Auer v. Robbins*, 519 U.S. 452, 461 (1997). Under normal deference principles, the Executive's submission here must be treated as "controlling unless plainly erroneous or inconsistent with" the regulations themselves. *Id.* (internal citations and quotations omitted).⁵ The Sec-

the embargo's purposes to avoid unintended constitutional consequences. *Id.* at 872 & n.13.

⁵ Some lower courts have mistakenly stated that "[p]robably there is little left of *Auer*," *Keys v. Barnhart*, 347 F.3d 990, 993 (7th

ond Circuit did not make the finding required by *Auer*, and none would be supportable.

The court did not explain why it refused deference, but it apparently decided that it need not defer because of a perceived inconsistency in the Executive's application of the CACR. Not only is there no inconsistency between the Executive's positions, but *National Cable, supra*, subsequently made clear that the Executive's "reasoned explanation" for its differentiated application of the CACR makes *Chevron* (and *Auer*) deference due regardless. *Heightened* deference is required here, not less than what is afforded agencies outside of the foreign affairs context.

2. The CACR's *express* terms do not bar either the issuance of judicial relief to Cuban nationals, or orders canceling another's registration or enjoining another's use of a trademark (86a-91a). Even under normal deference principles, whether to *expand* the CACR's prohibitions beyond their express terms through construction is a policy decision reserved for the agency. See *Chevron*, 467 U.S. at 843-44; *Auer*, 519 U.S. at 462-63.

(a) With respect to the *cancellation* order, the Second Circuit altogether ignored the Executive's advice that,

Cir. 2003), compare *Humanoids Group v. Rogan*, 375 F.3d 301, 306 (4th Cir. 2004) ("When an agency interprets its own regulation, as opposed to a statute, *Auer* deference applies."), based on a misreading of *Christensen v. Harris Cty.*, 529 U.S. 576, 587 (2000), despite this Court's continued citation of *Auer* in post-*Christensen* cases, see, e.g., *Washington State Dept. of Social and Health Servs. v. Guardianship Estate of Keffeler*, 537 U.S. 371, 387-88 (2003); *Barnhart v. Walton*, 535 U.S. 212, 217 (2002). *Christensen* primarily involved agency interpretation of a *statute*, and only alternatively of a *regulation*. The Court dismissed the agency's invocation of the regulation not because of disagreement with *Auer*—which the Court cited—but because, unlike here, the regulation was *facially inapplicable* to the situation at hand. *Christensen*, 529 U.S. at 587-88.

even if otherwise prohibited, “[a]t any rate” CACR § 515.527 authorizes the district court’s grant of this relief (60a). Before this litigation, the Treasury Department “made clear” (60a) that this general license, authorizing “transactions related to registration” of trademarks (89a-90a), applies to transactions related to cancellation of a registration that blocks a Cuban national’s application for registration (92a-93a). There is no conceivable basis for the Second Circuit’s finding that the CACR prohibit what the Treasury Department has licensed.

(b) The court of appeals never challenged as “plainly inconsistent” with the CACR the Executive’s explanation as to why the cancellation and injunction orders are not barred, even if not licensed. The Executive explained that a judicial order is not “subject to the Regulations” (60a) unless it affects property in which a Cuban national has an “interest,” CACR § 515.201(b) (86a). The cancellation of *General Cigar*’s registration, and the injunction against General Cigar’s use of *its* COHIBA mark, “affects only the property of General Cigar” (60a) and “relate[s] solely to General Cigar and its property in which Cubatabaco lacks an interest” (60a). Thus, those orders are not “subject” to the CACR (60a). Rather, they enforce the Lanham Act’s “prohibit[ion of] the use of any ‘word . . . that is likely to cause [consumer] confusion,’ ” *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 n.5 (2003) (citing 15 U.S.C. § 1125(a)). Petitioner has “standing” to invoke that prohibition because it is “damaged” (70a-71a).

3. In *National Cable*, respondents argued that “the [FCC]’s treatment of cable modem service is inconsistent with its treatment of DSL service,” 125 S.Ct. at 2710—an argument equivalent to the Second Circuit’s view that the Executive’s “treatment” of cancellation and injunctive relief under the CACR is “inconsistent” with its treatment of trademark ownership, *id.* (34a-35a). The

Court clarified in *National Cable* that such “[a]gency inconsistency is not a basis for declining to analyze the agency’s interpretation under the *Chevron* framework,” *id.* at 2699, and upheld the FCC because the “Commission provided a reasoned explanation” for the distinction it had drawn, *id.* at 2710.

The Executive furnished a “reasoned explanation” here, so it should have been upheld. Indeed, *National Cable* has special force when applied to the Executive’s application of embargo regulations: Under TWEA, the Executive must be able to proceed with far greater flexibility than in other contexts, and the courts have less competence and authority to second-guess the Executive’s distinctions.⁶

The Executive noted ample reasons for the distinction it drew. The CACR expressly bars the unlicensed acquisition of *trademarks* subject to U.S. jurisdiction, 31 C.F.R. §§ 515.201(b) (86a) & 515.311 (88a), but do not define “trademark” to mean the “right to exclude,” as the Second Circuit conceptualized the cancellation and injunction orders (29a).

Unlike U.S. trademarks, which can be sold apart from any foreign trademark and business, relief based on a foreign well-known mark is not independently alienable: It can only be invoked by the owner of the *foreign* trademark. The distinction is reflected in the Executive’s determination that the district court’s cancellation and injunction orders, but not the unlicensed acquisition of a trademark, are “consistent” with the CACR’s purpose

⁶ See, e.g., *Haig v. Agee*, 453 U.S. 289, 292 (1981); *United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304, 319 (1936); cf. *Spacil v. Crow*, 489 F.2d 614, 619 (5th Cir. 1974) (“[I]n the chess game that is diplomacy, only the executive has a view of the entire board and an understanding of the relationship between isolated moves.”).

of preventing Cuban entities from attracting hard currency by selling or assigning property subject to U.S. jurisdiction (60a). The United States has long considered the right of alienation to be one of the sticks in the "bundle of rights" that makes up a "trademark" for purposes of embargo regulations. See Brief for the United States, filed April 15, 1957, at 15-16, in *Rogers v. Ercona Camera Corp.*, 277 F.2d 94 (D.C. Cir. 1960).

Further, the Executive advised that the cancellation and injunction orders are *required* by treaty (66a) and implicate reciprocity concerns (72a). The orders are also consistent with the long-standing policy of trademark treaty adherence and reciprocity reflected in the CACR (89a-91a), *see supra* at 5-6.

4. The Second Circuit held that the cancellation and injunction orders are subject to the CACR because they assertedly have the same *practical effect* as "a transfer from General Cigar to Cubatabaco" of the "power to exclude," in that General Cigar can no longer exclude third-persons from using the word COHIBA as a trademark, but Cubatabaco supposedly can (29a-30a). This *policy choice*, which should have been reserved for the Executive, is essential to the Second Circuit's result.⁷

The Second Circuit did not suggest that an *actual* transfer "from General Cigar to Cubatabaco" of the "right to exclude" others from using COHIBA has occurred. The district court's orders do not literally provide for such a transfer (76a-82a). Compare, e.g., *Prop-*

⁷ Because Cubatabaco has no interest in General Cigar's trademark, the cancellation and injunctions orders cannot be considered a prohibited "transfer" of property in which a Cuban national has an "interest" because of their impact on *General Cigar's* trademark (60a, 86a). However, CACR § 515.309 provides that transfers of property to a Cuban national are transfers of property in which a Cuban national has an "interest."

per v. Clark, 337 U.S. 472 (1941) (judicial decree transferring title to assets prohibited by TWEA regulations). Nor did Cubatabaco succeed under those orders to *General Cigar*'s trademark, registration, or right to exclude others. Petitioner could not have: Respondents' mark, and any rights they might have to exclude others from using it, are "inseparable" from, and cannot be transferred apart from, *their* "goodwill" in *their* "product". 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 2:15, at 2-33; 2 McCarthy §18:2 at 18-6. (4th ed. 2004). Cubatabaco, on the other hand, secures relief to which it, but not General Cigar, is entitled as the owner of a "well-known" *foreign* mark.

The Executive was entirely within its rights in choosing not to treat the cancellation and injunction orders *like* a transfer from General Cigar to Cubatabaco of the "right to exclude." TWEA and *Chevron* firmly entrust that policy decision to the Executive, and the Executive identified ample foreign policy reasons for its choice.

II. The Court Should Grant Review To Clarify and Enforce Judicial Restraint in Finding Implied Treaty Abrogation in Embargo Legislation When, as Here, the Executive Has Reaffirmed the U.S.'s Treaty Obligations

In its submission, the Executive confirmed that the United States' Article 6*bis* obligations to Cuba remain in effect (71a-72a). The Second Circuit's finding of implied treaty abrogation *contrary* to the wishes and advice of the Executive presents such an unusual judicial intrusion into the Executive's foreign affairs powers, and so threatens to embarrass the Executive in its conduct of foreign relations, that it requires review by this Court. This Court granted review of the lower courts' rejection of the Executive's position in *Trans World Airlines v. Franklin Mint*; *Weinberger v. Rossi*; and *Clark v. Allen*;

supra. As in those cases, there are no reliable indicia here of congressional abrogation that might justify disregarding the Executive's advice.

1. The Court has long recognized "a firm and obviously sound canon of construction against finding implicit repeal of a treaty in ambiguous congressional action. 'A treaty will not be deemed to have been abrogated or modified by a later statute unless such purpose on the part of Congress has been clearly expressed.'" *Franklin Mint*, 466 U.S. at 252 (quoting *Cook*, 288 U.S. at 120); *see id.* ("silence is not sufficient").

The LIBERTAD Act § 102(h) provides that "[t]he economic embargo of Cuba, as in effect on March 1, 1996, including all restrictions under [the CACR] shall remain in effect," until certain specified events. In its one-sentence ruling, the Second Circuit ignored its obligation to determine whether this general language constitutes a "clearly expressed" congressional purpose, *Franklin Mint*, 466 U.S. at 252, to abrogate Article 6*bis*. Had the court done so, abrogation could not have been found. At most, the LIBERTAD Act is ambiguous. *See id.*

First, neither the statute, the legislative history, nor the CACR "make[s] any reference to the [Paris] Convention," or treaties generally. *Franklin Mint*, 466 U.S. at 252; *compare Breard v. Greene*, 523 U.S. 371, 376 (1998) (habeas statute explicitly addressed to claimed violations of "treaties"); *compare also* use of phrase "notwithstanding any other provision of law" in other embargo-related legislation, including several other sections of LIBERTAD Act, *e.g.*, § 103; 22 U.S.C. §§ 6033, 7209(b); and 28 U.S.C. § 1610(f)(1)(A).

Second, properly construed, the "economic embargo of Cuba *as in effect on March 1, 1996*," (emphasis added), included Article 6*bis* obligations. The 1973 ratification of Article 6*bis*, subsequent to the CACR's pro-

mulgation in 1963, trumped any prior regulatory prohibitions, both because of the later-in-time rule, *see, e.g., Cook*, 288 U.S. at 118-19; *Medellin v. Dretke*, __ U.S. __, 125 S.Ct. 2088, 2098 (2005) (O'Connor, J., dissenting on other grounds), and because the President's 1973 ratification of Article 6*bis* itself defined the scope of the "embargo," LIBERTAD Act § 102(h), at least absent Executive repudiation of the resulting treaty obligation to Cuba. TWEA allows the President to modify embargo prohibitions without formal rulemaking and to prohibit or authorize transfers "under such rules and regulations as he may prescribe, by means of instructions, licenses or otherwise" (83a) (emphasis supplied).

Even if there were doubt about whether the LIBERTAD Act included Article 6*bis* obligations in the codified "embargo," the statute is ambiguous as to a contrary effect. It cannot be said with confidence that Congress meant to reinstate the pre-ratification effect of the CACR, and thus repeal later, unrepudiated treaty rights, rather than including such treaty rights in the codified embargo. *See Cook*, 288 U.S. at 120 (post-treaty reenactment of statute left treaty intact, in absence of "clearly expressed" congressional intent to abrogate).

Third, the Executive's disagreement with the Second Circuit's interpretation of the CACR is powerful evidence that the regulations are susceptible of more than one meaning. Unless the Executive's position can be dismissed as wholly unreasonable (which it cannot, *see Point I, supra*), the judiciary cannot have the requisite confidence that Congress, which never considered the issue, "clearly" intended to place the U.S. in violation of its Paris Convention obligations through general codification of the embargo.

2. In light of the President's constitutional authority over treaty adherence, the judiciary has historically

refused to intervene in the Executive's determination that a treaty remains in effect. See *Charlton v. Kelly*, 229 U.S. 447 (1913); *Terlinden v. Ames*, 184 U.S. 270 (1902); *Techt v. Hughes*, 128 N.E. 185, 192 (N.Y. 1920) (per Cardozo, J.); Rest. (3d) Foreign Relations Law § 339(c). The Second Circuit ignored the admonition in *Franklin Mint* that the judiciary must not "impute to the political branches an intent to abrogate a treaty" when "the Executive Branch continues to maintain that the [treaty provision] remains enforceable in the United States." 466 U.S. at 253.

The President stated in his Signing Statement that "Consistent with the Constitution, I interpret the [LIBERTAD] Act as not derogating from the President's authority to conduct foreign policy." 1996 WL 107140, at *1 (March 12, 1996). Before the Second Circuit could conclude that Congress intended to strip the President of his Article II foreign affairs authority over treaty adherence, and his TWEA authority to harmonize the embargo with treaty obligations, Congress had to speak far more clearly than it did in the LIBERTAD Act. See *Franklin v. Massachusetts*, 505 U.S. 788, 800-01 (1992); *Armstrong v. Bush*, 924 F.2d 282, 289 (D.C. Cir. 1991).

3. In *Clark v. Allen*, 331 U.S. at 510, the Court recognized that the sweeping character of general embargo regulations, if applied apart from the embargo's purposes, could result in inadvertent treaty abrogation. See Point I.B, *supra*, at 15-16. Here, the Executive has determined that there is no "incompatib[ility]" or "hostility" between the purposes of the codified "economic embargo of Cuba . . . including all restrictions under [the CACR]" (106a), and continued adherence to Article 6*bis*. Therefore, whatever the LIBERTAD Act's impact on treaty obligations that conflict with the embargo's purposes, the statute can have no such effect here.

4. The Executive's recognition that honoring Article 6bis is compatible with the embargo is consistent with the CACR's policies *as endorsed by Congress in the LIBERTAD Act*. The CACR, and hence the LIBERTAD Act, seek protection for U.S. trademarks in Cuba by authorizing U.S. companies to register trademarks there (even though this brings hard currency to Cuba for filing and attorneys' fees), 31 C.F.R. § 515.528 (90a-91a), and by authorizing Cuban enterprises to register trademarks here in order to establish reciprocity, 31 C.F.R. § 515.527 (89a). The Executive's submission simply continues, in unanticipated circumstances, this joint policy of reciprocity and treaty adherence. Indeed, it carries forward nearly a century of consistent congressional policy under TWEA. *See* 50 U.S.C. App. § 10 (authorizing enemy aliens to register trademarks and to bring "suits in equity" for infringement).

III. The Court Should Grant Review To Prevent Frustration of Federal Trademark Law

1. Congress passed section 43(a) of the Lanham Act to prohibit actions that "deceive consumers and impair a producer's goodwill." *Dastar Corp v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003). The Senate gave its consent to, and the President proclaimed, Article 6bis to ensure the reciprocal protection of U.S. trademarks abroad, as well as to protect consumers against the confusing use of marks similar to "well-known" foreign marks. The district court found that section 43(a) and Article 6bis require an end to respondents' deceptive conduct (76a-82a, 223a-224a, 186a, 261a-263a). The United States concurred, based on the facts found by the district court (72a-73a).

The Second Circuit nonetheless declined to enforce section 43(a) or Article 6*bis* because of the embargo.⁸ The Court should grant review to vindicate federal trademark law.

2. In an unexplained comment, the Second Circuit suggested that Article 6*bis* need not be interpreted to require relief "under the[] circumstances" of this case (38a). Whatever the court meant, the treaty provision's plain language makes it applicable, and both the United States (71a-72a) and Cuba (*see* HARD ROCK CAFÉ, 112a-114a) read it as requiring relief in precisely such circumstances. The court below had no grounds for questioning the treaty's text, the Executive's advice, and the signatories' understanding. *See Chan v. Korean Air Lines, Ltd*, 490 U.S. 122, 134 (1989) ("[W]here the text is clear, as it is here, [the judiciary has] no power to insert an amendment."); *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176, 184-85 (1982) ("the meaning attributed to treaty provisions by the Government agencies charged with their negotiation and enforcement is entitled to great weight"); *id.* at 185 ("When the parties to a treaty both agree as to the meaning of a treaty provision, and that interpretation follows from the clear treaty language, [courts] must, absent extraordinarily strong contrary evidence, defer to that interpretation.").

⁸ The Second Circuit acknowledged that the owner of a foreign "well-known" mark may sue under section 43(a) for relief against subsequent conduct that is likely to cause consumer confusion, even if, like the Cuban COHIBA, the foreign mark has not been used or registered in the United States (37a-38a n.10). The court also recognized that under Supreme Court and circuit precedent, section 43(a) "goes beyond trademark protection," *Dastar*, 539 U.S. at 28; *see Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir. 1997), and therefore does not require that a plaintiff own a trademark to proceed (32a-33a). The court also opined that petitioner "may be correct" that Article 6*bis* provides a basis for relief (37a).

IV. The Court Should Determine Whether the Lanham Act Abrogates Self-Executing Treaty Protections Against the Knowing Adoption of a Treaty National's Mark

1. The Second Circuit held in *Havana Club Holding v. Galleon, S.A.*, 203 F.3d 116, 128 (2d Cir. 2000), that Lanham Act § 44 implicitly abrogates all pre-existing trademark treaty rights that it does not affirmatively incorporate. The panel below applied this holding to Articles 7 and 8 of the General Inter-American Convention, which this Court identified in *Bacardi Corp. v. Domenech*, 311 U.S. 150, 161, 163-64 (1940), as self-executing provisions that mandate cancellation and injunctive relief against the *knowing* registration and use of a treaty national's trademark. Relying on *Bacardi*, the TTAB applies Articles 7 and 8 to registration disputes. See *British-American Tobacco Co. v. Philip Morris, Inc.*, 55 U.S.P.Q.2d 1585 (T.T.A.B. 2000).

In *Havana Club*, the Second Circuit did not purport to base its holding on the Lanham Act's *text*, but relied on what it believed the legislative history reveals about Congress' underlying purposes. This Court has never approved a finding of treaty abrogation without support in the statutory text. Instead, it has required that Congress's intent to abrogate be "clearly expressed," *Franklin Mint*, 466 U.S. at 252, which would preclude a finding of abrogation in such circumstances. See Point II, *supra*.⁹ The Second Circuit's exclusive reliance on legislative history is additionally troubling because the history contains no express statements of the congressional purpose posited by the court.

⁹ In other sensitive areas, the Court mandates that the requisite clarity appear in the statutory *text*. See, e.g., *INS v. St. Cyr*, 533 U.S. 289, 299 (2001) (repeal of habeas jurisdiction); *United States v. Nordic Village, Inc.*, 503 U.S. 30, 37 (1992) (elimination of sovereign immunity); *Dellmuth v. Muth*, 491 U.S. 223, 230 (1989) (same).

The Second Circuit's radical departure from the governing standards threatens U.S. interests abroad¹⁰ and creates a split with the TTAB, the principal forum for registration disputes.

2. Even if Lanham Act § 44 abrogates all *unincorporated* treaty provisions, Articles 7 and 8 remain in force if they are within the scope of section 44(h), which incorporates treaty provisions that relate to "repressing acts of unfair competition" (104a). The Second Circuit's holding, that Articles 7 and 8's prohibition against the *knowing* adoption of another's trademark does not relate to "unfair competition", ignores the *Charming Betsy* obligation to construe statutes consistently with treaties if possible, the rule against finding treaty abrogation in "ambiguous" legislation, *Franklin Mint*, 466 U.S. at 252, and the U.S. negotiating position in urging adoption of Articles 7 and 8, which was that *knowing* adoption of a treaty national's mark constitutes *per se* bad faith, a hallmark of "unfair competition". See Stephen P. Ladas, *The International Protection of Trade Marks by the American Republics* 35-36 (1929).

¹⁰ U.S. companies rely on Articles 7 and 8 extensively in Cuba and the other treaty countries (Colombia, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Peru). See, e.g., Olin Corporation (WINCHESTER) (Cuba Trademark Office 1996); Drescher, *Nature and Scope of Trademark Provisions Under TRIPs and the Pan American Convention*, 87 T.M.R. 319 (1997); G. Cavelier, *La Convencion Interamericana de Washington de 1929 sobre Proteccion Marcaria y Comercial* (1992).

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be granted. Petitioner also suggests that the Court summarily vacate the Second Circuit's judgment and remand for reconsideration in light of *National Cable and Telecomms. Assoc. v. Brand X Internet Servs.*, 125 S.Ct. 2688 (2005).

Dated: September 30, 2005

Respectfully submitted,

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APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 2004

(Argued: August 24, 2004)

Last Supplemental Briefs Filed: December 3, 2004

Decided: February 24, 2005)

Docket Nos. 04-2527-cv (L), 04-3005-cv (XAP)

EMPRESA CUBANA DEL TABACO,
doing business as Cubatabaco,

*Plaintiff-Counter-Defendant-
Appellee-Cross-Appellant,*

—v.—

CULBRO CORPORATION,

Defendant-Counter-Claimant,

GENERAL CIGAR CO., INC. and
GENERAL CIGAR HOLDINGS, INC.,

*Defendants-Counterclaimants-
Appellants-Cross-Appellees.*

Before:

CABRANES, STRAUB, WESLEY,

Circuit Judges.

Appeal from the judgment of the United States District Court for the Southern District of New York (Robert W. Sweet, *Judge*). The District Court held that Cubatabaco, a Cuban company, owned the United States trademark COHIBA for use on cigars under the "famous marks doctrine." Although Cubatabaco never registered or used the COHIBA mark in the United States, the District Court held that Cubatabaco's COHIBA mark was sufficiently famous in the United States by the time General Cigar, a United States company, began selling COHIBA cigars in the United States that the mark was entitled to protection. The court entered judgment for Cubatabaco against General Cigar on Cubatabaco's claim of trademark infringement under Section 43(a) of the Lanham Act, cancelled General Cigar's registration for the mark, and enjoined General Cigar from using the mark. The District Court dismissed all other claims brought by Cubatabaco. We hold that even were the famous marks doctrine to be recognized—an issue we do not decide here—Cubatabaco is barred by the United States' embargo in force against Cuba from acquiring property rights in United States trademarks via the famous marks doctrine. Therefore, we reverse the District Court's finding of trademark infringement. We affirm the District Court's dismissal of all other claims brought by Cubatabaco.

Affirmed in part, reversed in part, and remanded.

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STRAUB, Circuit Judge:

Defendants-Counterclaimants-Appellants-Cross-Appellees, General Cigar Co., Inc., and General Cigar Holdings, Inc. ("General Cigar"), appeal from a judgment and permanent injunction of the United States District Court for the Southern District of New York (Robert W. Sweet, *Judge*), entered on May 6, 2004, finding in favor of Plaintiff-Counter-Defendant-Appellee-Cross-Appellant, Empresa Cubana del Tabaco, doing business as Cubatabaco ("Cubatabaco"), on its claim of trademark infringement under Section 43(a) of the Lanham Act, ordering cancellation of General Cigar's United States trademark registration for COHIBA cigars, permanently enjoining General Cigar from further use of the COHIBA mark, and ordering General Cigar to deliver to Cubatabaco all merchandise, packaging and other materials bearing the COHIBA name, to recall from retail customers and distributors products bearing the mark, and to inform customers and distributors that they could not sell General Cigar's COHIBA-labeled products in the United States. Cubatabaco has cross-appealed from the District Court's dismissal of its treaty-based and state law claims.

This appeal arises from a dispute between Cubatabaco, a Cuban company, and General Cigar, an American company, over who has the right to use the COHIBA mark on cigars. After filing an application to register the COHIBA mark in Cuba in 1969, Cubatabaco began selling COHIBA cigars in Cuba. Cubatabaco has sold COHIBA cigars outside of Cuba since 1982, but, because of the United States embargo against Cuban goods, imposed in 1963, Cubatabaco has never sold COHIBA cigars in the United States. General Cigar obtained a registration for the COHIBA mark in the United States in 1981 and sold COHIBA cigars in the United States from 1978 until late

1987. In 1992, General Cigar relaunched a COHIBA cigar in the United States and has sold cigars under that mark in the United States since that time.

Cubatabaco claims that it owns the U.S. COHIBA trademark because General Cigar abandoned its 1981 registration in 1987 and that, by the time General Cigar resumed use of the mark in 1992, the Cuban COHIBA mark was sufficiently well known in the United States that it deserved protection under the so-called "famous marks doctrine." The District Court agreed and found that, although Cubatabaco had never used the mark in the United States and was prohibited from doing so under the embargo, it nonetheless owned the U.S. COHIBA mark. The District Court concluded that by failing to use the COHIBA mark from late 1987 to 1992, General Cigar abandoned its 1981 registration. It found further that because the Cuban COHIBA mark was sufficiently well known in the United States by November 1992, the date General Cigar resumed its use of the mark, Cubatabaco was entitled to priority in asserting ownership of the mark. After finding that there was a likelihood of confusion between the Cuban COHIBA mark and the General Cigar COHIBA mark, the court granted judgment to Cubatabaco on its claim for trademark infringement under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), cancelled General Cigar's registration of the mark, and enjoined General Cigar from using the mark. The court dismissed all other claims brought by Cubatabaco, including claims under international trademark treaties and New York law.

We do not reach the question of whether an entity that has not used a mark on products sold in the United States can nonetheless acquire a U.S. trademark through operation of the famous marks doctrine. We need not reach that question in this case because even were we to

recognize and apply the famous marks doctrine, the Cuban embargo bars Cubatabaco's acquisition of the COHIBA mark via the famous marks doctrine. Therefore, we reverse the District Court's grant of judgment to Cubatabaco on its claim of trademark infringement under Section 43(a) of the Lanham Act. We affirm the District Court's dismissal of all other claims brought by Cubatabaco.

BACKGROUND

In 1963 the United States imposed an embargo on Cuba. The Cuban Asset Control Regulations ("Embargo Regulations" or "Regulations"), 31 C.F.R. § 515.201 *et seq.*, which were promulgated pursuant to Section 5(b) of the Trading with the Enemy Act of 1917, ch. 106, § 5(b), 40 Stat. 415 (codified as amended at 12 U.S.C. § 95a (2000)), contain the terms of the embargo. *See Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 120 (2d Cir.), *cert. denied*, 531 U.S. 918 (2000). In 1996 Congress codified the Regulations in the Cuban Liberty and Democratic Solidarity Act of 1996 ("LIBERTAD Act"), Pub. L. No. 104-114, Title I, § 102, Mar. 12, 1996, 110 Stat. 792 (1996) (codified at 22 U.S.C. § 6032(h)). "The Secretary of the Treasury has the authority to administer the Cuban embargo, which he has delegated to the Office of Foreign Assets Control ('OFAC')." *Havana Club*, 203 F.3d at 120 (citing 31 C.F.R. § 515.802). The Embargo Regulations prevent Cuban entities, such as Cubatabaco, from selling cigars in the United States. Despite its inability to sell cigars here, Cubatabaco claims that it owns the COHIBA mark in the United States and that General Cigar's sale of COHIBA cigars in the United States unlawfully infringes its mark.

The District Court, after a bench trial, issued a comprehensive opinion setting forth its factual findings. See *Empresa Cubana Del Tabaco v. Culbro Corp.*, No. 97 Civ. 8399, 2004 WL 602295, at *3-27 (S.D.N.Y. Mar. 26, 2004) ("*Empresa III*"). Here we recount only those facts necessary to explain our holding.

In 1969 Cubatabaco filed an application to register the COHIBA mark in Cuba. Throughout the 1970s it sold COHIBA cigars in Cuba. By January 1978 Cubatabaco had applied to register the COHIBA mark in seventeen countries, including most Western European countries, but did not apply to register the mark in the United States. In 1982 Cubatabaco began selling COHIBA cigars outside of Cuba. In 1983 Cubatabaco considered registering its COHIBA mark in the United States but learned that General Cigar had already obtained the United States registration. On February 22, 1985, Cubatabaco filed an application with the United States Patent and Trademark Office ("PTO") to register its BEHIQUE mark in the United States with the same trade dress that it used on its COHIBA cigars elsewhere. In 1987 Cubatabaco considered challenging General Cigar's 1981 COHIBA registration, but chose not to take any action.

General Cigar first learned of the name "Cohiba" in the late 1970s after General Cigar executives read a *Forbes* magazine article stating that Cubatabaco was planning to sell its COHIBA cigars outside of Cuba. General Cigar filed an application to register the COHIBA mark with the PTO on March 13, 1978, with a claimed first use date of February 13, 1978. The application was unopposed, and General Cigar obtained the registration on February 17, 1981. General Cigar sold COHIBA cigars in the United States from 1978 until late 1987.

In February 1992 *The Wine Spectator* magazine published articles describing COHIBA as Cuba's "finest" cigar and "the hot brand." In September 1992, the premier issue of *Cigar Aficionado* magazine, which had a United States circulation of 115,000 copies, featured a story about Cubatabaco's Cuban COHIBA cigars. The magazine rated cigars and gave the Cubatabaco's COHIBA Robusto the highest ranking. Shortly thereafter, General Cigar decided to use COHIBA on a new premium cigar, which it launched on November 20, 1992. The District Court noted that General Cigar "acknowledges that the reintroduction was at least in part a response to *Cigar Aficionado's* coverage of the Cuban COHIBA." General Cigar filed for a second COHIBA registration on December 30, 1992, and the application was granted without opposition in 1995.

In late 1992 and early 1993 General Cigar considered seeking permission to use Cubatabaco's registered trade dress. In a January 1993 memo, General Cigar's then in-house counsel wrote that having permission to use the trade dress would help General Cigar "to exploit the popularity, familiarity, brand recognition and overall success of the Cuban Cohiba." General Cigar did not pursue further the plan to seek permission to use the trade dress.

In late January or February 1997 General Cigar decided to launch a new cigar under the COHIBA name. General Cigar acknowledges that the Cuban COHIBA was well known to U.S. cigar consumers by the time General Cigar launched its new product in the fall of 1997. The District Court noted that "[t]he 1997 advertising for the General Cigar COHIBA attempted to create an association in the consumer's mind to Cuba and the Cuban COHIBA."

In January 1997 Cubatabaco commenced a proceeding in the Trademark Trial and Appeal Board to cancel General Cigar's registration of the COHIBA mark. On November 12, 1997, Cubatabaco filed this action alleging thirteen claims against General Cigar. The first six claims alleged violations of various treaty provisions and asserted that Cubatabaco was entitled to relief under Sections 44(b) and 44(h) of the Lanham Act, 15 U.S.C. § 1126(b), (h). In particular, Cubatabaco claimed that General Cigar violated: (1) the protection under Article 6*bis* of the Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 ("Paris Convention"), for famous marks; (2) Section 10*bis* of the Paris Convention's prohibition against unfair competition; (3) Articles 7 and 8 of the General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907 ("IAC"), by using and registering COHIBA for cigars with knowledge of Cubatabaco's use of the mark on cigars; (4) Articles 20 and 21 of the IAC's prohibition against unfair competition; (5) Article 22 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") by representing its cigar as the product of "Cuban seed"; and (6) Article 10 of the Paris Convention by representing its cigar as the product of "Cuban seed."

In addition to the treaty-based claims, Cubatabaco alleged that: (7) General Cigar committed willful trademark and trade dress infringement in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (8) General Cigar engaged in false representation of source of origin in willful violation of Section 43(a) of the Lanham Act by stating that their cigars contained tobacco grown from Cuban seed; (9) General Cigar engaged in deceptive advertising in willful violation of Section

43(a) of the Lanham Act by stating that their cigars contained Cuban seed; (10) General Cigar's acts constituted unfair competition under New York law and under the laws of every state in which General Cigar has engaged in the misconduct alleged; (11) General Cigar's registration should be cancelled pursuant to 15 U.S.C. § 1120; (12) General Cigar's actions were likely to dilute Cubatabaco's COHIBA mark and constituted willful violation of New York General Business Law § 360/, comparable laws of other states where General Cigar engaged in the misconduct, and Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); and (13) General Cigar willfully misappropriated Cubatabaco's trademark in violation of New York law and the law of other states where General Cigar engaged in the conduct. Cubatabaco sought injunctive relief, damages, and attorneys' fees. General Cigar counterclaimed, seeking a declaratory judgment that it had the right to continued use and registration in the United States of the COHIBA mark, as well attorneys' fees and costs.

On December 4, 2000, Cubatabaco stipulated to the dismissal with prejudice of its Fifth, Sixth, Eighth, and Ninth claims for relief—i.e., the TRIPS claim, the claim that General Cigar violated Article 10 of the Paris Convention, and claims under Section 43(a) of the Lanham Act for false representation of source of origin and deceptive advertising.¹

On November 29, 2001, General Cigar moved for summary judgment dismissing Cubatabaco's complaint on the basis of estoppel, acquiescence, and laches, due to Cubatabaco's alleged delay in challenging General

¹ The stipulation stated that the dismissal was with prejudice, except that dismissal would be without prejudice if the Supreme Court reversed or vacated certain portions of this Court's decision in *Havana Club*.

Cigar's use of the COHIBA mark. On January 29, 2002, Cubatabaco moved to dismiss General Cigar's affirmative defenses. Cubatabaco also moved for partial summary judgment on its claim that General Cigar abandoned its 1981 registration, as well as its claims that General Cigar violated Articles 7 and 8 of the IAC, Article 6bis of the Paris Convention, New York common law, and the Federal Trademark Dilution Act.

On June 26, 2002, the District Court, resolving the motions, held that Cubatabaco was entitled to partial summary judgment on its claim that General Cigar had abandoned the COHIBA mark during its period of non-use from 1987 to 1992.² *Empresa Cubana Del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 267-71 (S.D.N.Y. 2002) ("*Empresa I*"). The court dismissed General Cigar's affirmative defenses of acquiescence, estoppel, and laches.

In addition, the court dismissed Cubatabaco's claims under Articles 7 and 8 of the IAC, reasoning that under our decision in *Havana Club*, the only IAC rights that could be asserted under Sections 44(b) and (h) of the Lanham Act are those rights that are "related to the repression of unfair competition." *Empresa I*, 213 F. Supp. 2d at 279-80. Because Articles 7 and 8 of the IAC relate to the registration of trademarks and are not found

² Because we reverse on other grounds, we need not address the District Court's finding that General Cigar did, in fact, abandon the COHIBA mark. However, we do note that the District Court cited *Silverman* for the premise that "defendants must come forward with objective, hard evidence of actual 'concrete plans to resume use' in the 'reasonably foreseeable future when the conditions requiring suspension abate.'" *Empresa I*, 213 F. Supp. 2d at 268. We do not agree that *Silverman* imposed such a heavy burden. *Silverman* required that, to overcome a presumption of abandonment after a sufficiently long period of non-use, a defendant need show only an intention to resume use "within the reasonably foreseeable future." *Silverman*, 870 F.2d at 46.

in the chapter of the IAC labeled "Repression of Unfair Competition," the court concluded that Article 7 and Article 8 rights could not be asserted under Sections 44(b) and (h) of the Lanham Act. *Id.* at 281-82. The District Court also dismissed Cubatabaco's Article 6*bis* Paris Convention claim, which Cubatabaco asserted under Sections 44(b) and (h) of the Lanham Act, on the ground that Article 6*bis* does not concern "rights related to the repression of unfair competition." *Id.* at 283-84. Finally, the court found that there were material issues of fact regarding Cubatabaco's New York common law and Federal Trademark Dilution Act claims and denied summary judgment to Cubatabaco on those claims. *Id.* at 284-86.

Both parties moved for reconsideration, and the District Court denied the motions. See *Empresa Cubana Del Tabaco v. Culbro Corp.*, No. 97 Civ. 8399, 2002 WL 31251005 (S.D.N.Y. Oct. 8, 2002) ("*Empresa II*"). The court held a bench trial on various dates between May 27, 2003, and June 23, 2003. *Empresa III*, 2004 WL 602295, at *1.

On March 26, 2004, the District Court found that Cubatabaco was entitled to prevail on its claim of trademark infringement under Section 43(a) of the Lanham Act. The court's finding of trademark infringement rested on its adoption of the famous marks doctrine.

The court reasoned that, to prevail on its Section 43(a) trademark infringement claim, Cubatabaco had to establish (1) that its mark is entitled to protection and (2) that General Cigar's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of General Cigar's goods. *Empresa III*, 2004 WL 602295, at *29. The court recognized that the standard test for ownership of a mark is priority of use, and that, under the "territoriality principle," foreign use of a trademark can-

not form the basis for establishing priority in the United States. *Id.* at *30. However, the court rejected General Cigar's argument that it owned the COHIBA mark because it was the first to use it in the United States after it was allegedly abandoned, stating that "General Cigar's priority of use . . . is not the end of the matter." *Id.* Rather, the court held that "[u]nder the common-law well-known or famous marks doctrine, a party with a well known mark at the time another party starts to use the mark has priority over the party using the mark." *Id.* (internal quotation marks omitted). The court concluded that if the Cuban COHIBA mark was sufficiently famous in the United States before General Cigar resumed use of the mark in November 1992, then Cubatabaco owned the U.S. trademark even though it had never used the mark in the United States. The court determined that secondary meaning was the level of recognition required for a mark to be protected under the famous marks doctrine and concluded that the Cuban COHIBA mark was sufficiently well known in the United States by November 1992 that Cubatabaco was entitled to priority. The court further held that Cubatabaco had established a likelihood of confusion between the Cuban COHIBA and General Cigar's COHIBA mark, *id.* at *39-49, and that Cubatabaco was therefore entitled to prevail on its claim of trademark infringement against General Cigar under Section 43(a) of the Lanham Act. *Id.* at *52.³

Although finding in Cubatabaco's favor on its claim of trademark infringement, the court dismissed the remainder of Cubatabaco's claims. In particular, the court dismissed Cubatabaco's claim that the band General Cigar used on its cigars infringed upon Cubatabaco's regis-

³ The court also rejected General Cigar's claim that Cubatabaco had abandoned the COHIBA mark between 1992 and 1997. *Empressa III*, 2004 WL 602295, at *52.

tered trade dress because Cubatabaco failed to show a likelihood of confusion between the cigar bands. *Id.* at *56. The court dismissed Cubatabaco's Article 10bis Paris Convention claim and its claims under Articles 20 and 21 of the IAC as duplicative of Cubatabaco's rights under Section 43(a) of the Lanham Act. As to Cubatabaco's claim under the Federal Trademark Dilution Act ("FTDA"), 15 U.S.C. § 1125(c), the court found that Cubatabaco's COHIBA mark had not acquired the high level of fame required by that statute. *Id.* at *53. Cubatabaco's claim under New York's anti-dilution law, NY. Gen. Bus. Law § 360-1, was dismissed on similar grounds. *Id.* at *53-54. The court dismissed Cubatabaco's New York unfair competition claim because it found Cubatabaco failed to show that General Cigar acted in bad faith, *id.* at *55, dismissed Cubatabaco's misappropriation claim as duplicative of the New York unfair competition claim, *id.*, and dismissed Cubatabaco's deceptive trade practices claim brought under New York General Business Law § 349 as not actionable, *id.* at 57. The court rejected Cubatabaco's request for cancellation of General Cigar's mark under 15 U.S.C. § 1120 because it had already canceled the registration based on the Section 43(a) violation and because Cubatabaco failed to establish that General Cigar made statements in its registration application with knowledge of their falsity. *Id.* at *55.

Finally, the court noted that the parties had stipulated in the Joint Pretrial Order that "[a]ny trial on the issue of monetary relief claimed by Plaintiff against Defendants shall be bifurcated from a trial on liability." *Id.* at *58. The court stated that if the parties wanted to seek appellate review of the court's liability determinations, they should file a motion for certification pursuant to Federal Rule of Civil Procedure 54(b), and the trial on monetary

relief would be held at a later date. *Id.* Both parties filed motions for the court to enter judgment pursuant to Rule 54(b).

On May 6, 2004, the District Court entered an order, judgment, and permanent injunction, which, *inter alia*: (1) granted Cubatabaco judgment against General Cigar on its claim for infringement of Cubatabaco's COHIBA mark pursuant to 15 U.S.C. § 1125(a) and granted judgment to Cubatabaco on its claim that prior to November 1992 General Cigar had abandoned the COHIBA mark; (2) canceled General Cigar's trademark registration for the COHIBA mark, and permanently enjoined General Cigar from using the COHIBA mark; and (3) ordered General Cigar to deliver to Cubatabaco all goods and labels bearing the COHIBA mark, to recall from retail customers and distributors products bearing the mark, and to inform customers and distributors that they could not sell General Cigar's COHIBA-labeled products in the United States. Finally, the court stated that all of General Cigar's equitable and other affirmative defenses were dismissed with prejudice, and all of Cubatabaco's claims were dismissed with prejudice, except for the claims on which relief was granted. The court found that "[t]here was no reason to delay the appeal of plaintiff's claims for relief and defendants' equitable and other affirmative defenses that have been dismissed with prejudice," and "[i]n the interest of judicial efficiency and to avoid duplicative and piecemeal litigation about liability," the court entered final judgment pursuant to Federal Rule of Civil Procedure 54(b) on "all of the claims and defenses that have been dismissed to date."

The District Court denied General Cigar's motion to stay the order pending appeal, but entered a temporary stay to allow General Cigar to seek such a stay from this Court. On June 23, 2004, this Court granted a stay of the

District Court's order pending appeal, and granted a motion to expedite the appeal.

On appeal, General Cigar argues that the District Court erred in (1) granting summary judgment to Cubatabaco on its claim that General Cigar had abandoned its 1981 trademark registration, and in holding that claims of abandonment are not subject to equitable defenses; and (2) granting judgment to Cubatabaco on its claim of trademark infringement based on a finding that Cubatabaco acquired rights to the mark under the famous marks doctrine. In addition, General Cigar asserts that Cubatabaco lacks standing to bring a Section 43(a) trademark infringement claim because, due to the embargo, Cubatabaco could not establish "commercial injury." General Cigar also makes an argument not raised below—that Cubatabaco's acquisition of trademark rights in the United States through the famous marks doctrine was a transfer of property that was prohibited by the Embargo Regulations.

In addition to defending the District Court's finding of trademark infringement under Section 43(a) of the Lanham Act, Cubatabaco cross-appeals arguing that: (1) Cubatabaco is entitled to protection of its "famous" COHIBA mark under Article 6*bis* of the Paris Convention, which Cubatabaco claims is implemented by Sections 44(b) and (h) of the Lanham Act; (2) General Cigar's registration for the U.S. COHIBA mark should be cancelled under Articles 7 and 8 of the IAC, which Cubatabaco claims are implemented through Sections 44(b) and (h) of the Lanham Act; (3) Cubatabaco is entitled to relief on its New York common law and its treaty-based unfair competition claims brought under Sections 44(b) and (h) of the Lanham Act; and (4) Cubatabaco is entitled to relief on its New York law dilution claim.

After oral argument in this Court we invited the United States Departments of Justice and Treasury ("government") to submit a brief as *amicus curiae* addressing the question of whether the Embargo Regulations barred Cubatabaco's acquisition of the COHIBA mark in the United States via the famous marks doctrine. On November 12, 2004, the government filed its letter brief. There, the government asserts that the Regulations bar Cubatabaco's acquisition of the mark via the famous marks doctrine and that the District Court's finding of trademark infringement under Section 43(a) must therefore be reversed. In addition, the government reasons that the portion of the District Court's order requiring General Cigar to deliver merchandise and other materials bearing the COHIBA mark to Cubatabaco is barred by the Regulations. According to the government, however, the Regulations do not bar the portion of the District Court's order that cancels General Cigar's registration and enjoins its use of the COHIBA mark. The government notes that Cubatabaco's ownership of the U.S. COHIBA mark is not required for a Section 43(a) claim, and expresses the view that, given the District Court's factual findings, the cancellation of General Cigar's mark and the injunction against General Cigar's use of the mark is appropriate relief. On December 3, 2004, the parties filed letter briefs responding to the *amicus curiae* letter brief filed by the government. Cubatabaco asserts that the government correctly concluded that it was entitled to the relief ordered by the District Court under Section 43(a) of the Lanham Act. General Cigar agrees with the government's conclusion that the Embargo Regulations barred Cubatabaco's acquisition of the mark through the famous marks doctrine, but asserts that the government is incorrect in its claim that Cubatabaco is nonetheless entitled to relief under Section 43(a).

DISCUSSION

General Cigar argues that the Embargo Regulations bar Cubatabaco from acquiring rights in the COHIBA mark in the United States through the famous marks doctrine and that the District Court's finding of trademark infringement must therefore be reversed. Although General Cigar did not raise this argument below, we consider it on appeal because it implicates an issue of significant public concern—the United States' national policy towards Cuba as established by the President and the Congress—and it involves a question of pure law. *See Dean Witter Reynolds, Inc. v. Fernandez*, 741 F.2d 355, 360-61 (11th Cir. 1984) (reaching issue regarding the Cuban embargo even though not raised below because "a principal purpose of the Cuban Assets Control Regulations was to deny Cuba access to American dollars which could finance acts of aggression or subversion," and therefore was an issue "of great public concern"); *see also Singleton v. Wulff*, 428 U.S. 106, 121 (1976) ("The matter of what questions may be taken up and resolved for the first time on appeal is one left primarily to the discretion of the courts of appeals, to be exercised on the facts of individual cases."); *Krumme v. WestPoint Stevens Inc.*, 238 F.3d 133, 142 (2d Cir. 2000) ("[W]here an allegedly forfeited claim raises a pure question of law, we may choose to reach the merits." (internal quotation marks omitted)); *Sheffield Commercial Corp. v. Clemente*, 792 F.2d 282, 286 (2d Cir. 1986) (considering issue not raised below regarding New York's Motor Vehicle Retail Installment Sales Act "because of the strong public interest in enforcement of the Act").

For the reasons explained below, we hold that the Embargo Regulations bar Cubatabaco's acquisition of property rights in the U.S. COHIBA trademark through

the famous marks doctrine. Cubatabaco claims no other basis for owning the mark, and, therefore, the District Court's finding of trademark infringement under Section 43(a) of the Lanham Act must be reversed. We do not reach the question of whether to recognize the famous marks doctrine because even if a foreign entity can, as a general matter, acquire trademark rights in the United States through the famous marks doctrine, Cubatabaco's acquisition rights in the COHIBA mark in this manner is barred by the embargo. We also reject Cubatabaco's argument that, even if the embargo bars its acquisition of the mark, it nonetheless is entitled, based on the "fame" of its mark, to obtain cancellation of General Cigar's mark and an injunction barring General Cigar from using the mark in the United States because to grant this relief would entail a transfer of property rights in the COHIBA mark to Cubatabaco in violation of the embargo.

We also do not decide whether the District Court properly found that General Cigar had abandoned its mark between 1987 and 1992. We have no need to decide that issue because even if General Cigar did abandon its mark, it owns the mark now because it resumed use of the mark in November 1992 and Cubatabaco is unable, in light of the embargo, to establish that it acquired rights to the mark in the interval. Finally, we affirm the District Court's dismissal of Cubatabaco's remaining treaty claims and its claims under New York law.

I. CLAIMS UNDER SECTIONS 43(A), 44(B), AND 44(H) OF THE LANHAM ACT BASED ON "FAME" OF THE CUBAN COHIBA MARK.

A. *The Trademark Infringement Claim Fails Because Acquisition of the Mark Via the Famous Marks Doctrine Is Prohibited By the Embargo Regulations*

Cubatabaco argues that the District Court properly entered judgment in its favor on its claim of trademark infringement under Section 43(a) of the Lanham Act. To prove trademark infringement, Cubatabaco must establish that it owns the COHIBA mark in the United States. According to Cubatabaco, it owns the mark because General Cigar abandoned its 1981 COHIBA registration in 1987 and, by the time General Cigar resumed use of the mark in 1992, the Cuban COHIBA mark was sufficiently well known in the United States that it deserved protection under the famous marks doctrine. For the reasons explained below, we hold that the Embargo Regulations bar Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine, and thus the District Court's finding of trademark infringement is reversed.

1. *The Embargo Regulations*

Unless otherwise authorized, the Embargo Regulations prohibit a broad range of transactions involving property in which a Cuban entity has an interest. In particular, 31 C.F.R. § 515.201(b) provides in pertinent part that:

(b) All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by means of regulations,

rulings, instructions, licenses, or otherwise, if such transactions involve property in which any foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect:

(1) All dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States; and

(2) All transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States.

31 C.F.R. § 515.201(b) (2005).⁴ Section 515.201(c) provides that “[a]ny transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions set forth in paragraphs (a) or (b) of this section is hereby prohibited.” *Id.* § 515.201(c); *see also Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 122 n.3 (2d Cir.), *cert. denied*, 531 U.S. 918 (2000).

The Regulations provide several relevant definitions. The “foreign country designated under this part” is Cuba, 31 C.F.R. § 515.201(d), and “property” or “prop-

⁴ We need not decide whether the current version of the Regulations or the 1992 version—the version in effect at the time Cubatabaco alleges it acquired rights to the U.S. COHIBA mark—applies. Except with respect to 31 C.F.R. § 515.527, all the provisions that we consider have either remained unchanged since 1992 or have changed in a manner immaterial to the issues raised here. As we discuss *infra* at [page 25-26], although § 515.527 has been amended since 1992, neither the current version nor the 1992 version authorizes Cubatabaco’s acquisition of the mark via the famous marks doctrine.

erty interest" includes trademarks, *id.* § 515.311. "Transfer" is defined broadly to include "any actual or purported act or transaction . . . the purpose, intent, or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property." *Id.* § 515.310. Section 515.309 provides that the phrase "transactions which involve property in which a designated foreign country, or any national thereof, has any interest of any nature whatsoever, direct or indirect includes . . . [a]ny . . . transfer to such designated foreign country or national thereof." *Id.* § 515.309(a). In other words, a transaction involving property in which a Cuban national has an interest includes a transfer of property to a Cuban national.

Therefore, absent a general or specific license, § 515.201(b)(1) of the Regulations prohibits a transfer of property rights, including trademark rights, to a Cuban entity by a person subject to the jurisdiction of the United States. Section 515.201(b)(2) prohibits a transfer outside of the United States of property subject to the jurisdiction of the United States—if the transfer is to a Cuban entity.

General licenses and specific licenses provide exceptions to the prohibition of § 515.201(b). General licenses are contained within the Regulations whereas specific licenses are granted by the OFAC in response to requests. *See id.* §§ 515.201(b), 515.317, 515.318.

A general license authorizing certain actions with respect to trademarks is provided at 31 C.F.R. § 515.527. The current version of the Regulations explicitly authorizes "[t]ransactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of

Cuba or a Cuban national has an interest.” *Id.* § 515.527(a)(1). The government asserts that the applicable version of the Regulations is the version in effect in 1992, when the allegedly prohibited transfer of trademark rights to Cubatabaco occurred. *See Amicus Curiae Br.* at 8. In 1992, § 515.527 provided that:

- (1) The filing in the United States Patent Office of applications for letters patent and for trademarks registration;
- (2) The making and filing in the United States Copyright Office of applications for registration or renewal of copyrights;
- (3) The prosecution in the United States Patent Office of applications for letters patent and for trademarks registration;
- (4) The receipt of letters patent or trademark registration certificates or copyright registration or renewal certificates granted pursuant to any such applications in which any designated national has at any time on or since the “effective date” had any interest.

31 C.F.R. § 515.527(a) (1992). Therefore, the 1992 Regulations did not include an authorization for “[t]ransactions related to the registration and renewal in the United States Patent and Trademark Office . . . of . . . trademarks.” 31 C.F.R. § 515.527(a)(1).

Also relevant to our inquiry is the specific license that OFAC granted Cubatabaco in October 1997 before Cubatabaco initiated this action. This license, number C-18942, authorizes Cubatabaco to

initiate legal proceedings in the U.S. courts and to otherwise pursue their judicial remedies with

respect to claims to the COHIBA trademark (the "Trademark") and against those persons that are alleged to be infringing upon the Trademark (collectively, the "Actions"); and Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C. (the "Firm"), and persons employed by, under the control of, or cooperating with the Firm, are hereby authorized to provide legal services to Cubatabaco and Habanos, S.A. in connection with the Actions, and to receive payment of professional fees and reimbursement for expenses incurred therefor from or on behalf of the Cubatabaco and/or Habanos, S.A., provided that payments of fees, retainers, and other payments originate from a source not currently within the United States, or within the possession or control of a person subject to U.S. jurisdiction, and such payment is not made from a blocked account or blocked funds.

Accordingly, we must determine whether Cubatabaco's acquisition of the U.S. COHIBA mark is a transfer that is prohibited by § 515.201(b), and if so, whether it is nonetheless authorized either by § 515.527, or by the specific license granted to Cubatabaco by the OFAC.

2. Prohibited Transfers

We hold that Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine would constitute a transfer that is prohibited by § 515.201(b), and such transfers are not authorized by a general or specific license.

a. General Prohibition: 515.201(b)

Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine is barred by 31

C.F.R. § 515.201(b)(2), which prohibits "transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States" if the transfer involves property in which a Cuban entity has an interest. 31 C.F.R. § 515.201(b)(2).

A transaction involving property in which a Cuban entity has an interest includes a transfer of property to a Cuban entity. "Property" includes trademarks, *id.* § 515.311, and "transfers outside the United States" of United States trademark rights to Cuban entities are prohibited by § 515.201(b)(2). "Transfer" is broadly defined to include "any . . . act . . . the . . . effect of which is to create . . . any right, remedy, power, privilege, or interest with respect to property." *Id.* § 515.310. Cubatabaco's acquisition of the mark is a "transfer[] outside the United States with regard to any property or property interest subject to the jurisdiction of the United States," *id.* § 515.201(b)(2), because Cubatabaco's acquisition of the mark is a transfer of U.S. property rights from inside the United States to Cuba—a location "outside of the United States." Therefore, Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine is barred by § 515.201(b)(2).

Cubatabaco argues that the Embargo Regulations "regulate[] *transactions* involving property in which a Cuban national has, or had, an interest, *not* their legal effect." Appellee Br. at 58. In other words, Cubatabaco claims that if the acts that made the Cuban COHIBA famous were permitted under the Regulations, Cubatabaco's acquisition of the mark through operation of the famous marks doctrine is permitted. We reject this argument because there is no doubt that acquisition of property through operation of law is covered by § 515.201(b). As the government asserts, "[r]egardless of whether the acquisition of the COHIBA mark through the famous

marks doctrine is characterized as an 'effect' of other actions or not, it nevertheless falls within the Regulations' definition of a 'transaction' involving property in which a Cuban national has an interest." *Amicus Curiae* Br. at 7. The Regulations explicitly permit specific "transfers by operation of law," including "[a]ny transfer to any person by intestate succession," 31 C.F.R. § 515.525(a)(2), and transfers arising "solely as a consequence of the existence or change of marital status," *id.* § 515.525(a)(1). These provisions would not be necessary if § 515.201's prohibitions did not cover transfers by operation of law.

Our conclusion is consistent with the views expressed by the United States in its *amicus curiae* brief. The United States concludes that "[u]nder the plain language of these regulations, the acquisition of the trademark by Cubatabaco in 1992 through the famous marks doctrine, as found by the district court, created or vested a property right in Cubatabaco, and was therefore prohibited absent a general or specific license." *Amicus Curiae* Br. at 7. Because we conclude that § 515.201(b)(2) clearly bars Cubatabaco's acquisition of the COHIBA mark through the famous marks doctrine, we need not determine what level of deference is owed to the U.S. Department of Treasury's interpretation of the Embargo Regulations. *Cf. Havana Club*, 203 F.3d at 125 (noting that the interpretation of a provision of the Embargo Regulations "given by the agency charged with enforcing the embargo is normally controlling").⁵

⁵ The *amicus curiae* brief cites § 515.201(b)(1) and does not specifically address § 515.201(b)(2). Section 515.201(b)(1) prohibits "transactions," including "transfers," involving property in which a Cuban entity has an interest by any person subject to the jurisdiction of the United States. 31 C.F.R. § 515.201(b)(1). Therefore, § 515.201(b)(1) prohibits transfers of trademarks to Cuban enti-

b. General and Specific Licenses

Because the acquisition of the U.S. COHIBA mark by Cubatabaco through the famous marks doctrine is a prohibited transfer under § 515.201, it is barred unless authorized by a general or specific license.

The general license contained in the 1992 version of § 515.527 does not authorize Cubatabaco's acquisition of the COHIBA mark through the famous marks doctrine. With respect to trademarks, that version of § 515.527 permitted only the filing of applications for trademark registrations, *id.* § 515.527(a)(1), and "[t]he receipt of . . . trademark registration certificates . . . or renewal certificates granted pursuant to any such applications," *id.* § 515.527(a)(4). Clearly, neither of these provisions authorized Cubatabaco's acquisition of the mark through the famous marks doctrine. In addition, even if we applied the current version of § 515.527, which authorizes transactions "related to the registration and renewal" of trademarks in the United States Patent and Trademark Office, we would not read the provision to authorize acquisition of the mark through the famous marks doctrine, as acquisition of a mark through the famous marks doctrine is wholly outside the process of registering the mark with the PTO. *See Havana Club*, 203 F.3d at 123-24 (holding that the "related to" language of § 515.527(a)(1) should be interpreted narrowly

ties by persons subject to the jurisdiction of the United States. The District Court's holding that Cubatabaco's mark was sufficiently famous in 1992 for property rights to attach could be viewed as a transfer of property rights to Cubatabaco by a "person subject to the jurisdiction of the United States." The United States does not address that particular point, and we need not resolve it because Cubatabaco's acquisition of the mark through the famous marks doctrine is plainly barred by § 515.201(b)(2).

as it creates an exception to the broad prohibitions of the embargo).⁶

Finally, the special license issued by OFAC to Cubatabaco, which allows Cubatabaco to "pursue . . . judicial remedies with respect to claims to the COHIBA trademark," does not permit acquisition of the mark via the famous marks doctrine. This license allows Cubatabaco to seek relief in U.S. courts, but does not authorize transfers of property barred by the Regulations. This is also the view of the government. *See Amicus Curiae* Br. at 10 ("[The OFAC license] does not retroactively authorize the acquisition found by the district court. The most obvious reading of this license is that it allows Cubatabaco to seek remedies but does not alter the substantive law for a court to apply in determining what, if any, remedies are appropriate.")

Accordingly, Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine is barred by the Regulations. We reverse the District Court's finding of trademark infringement under Section 43(a) of the Lanham Act, as that finding was based on the District Court's conclusion that Cubatabaco acquired the COHIBA mark through the famous marks doctrine.

⁶ Indeed, Cubatabaco does not appear to be arguing that § 515.527(a)(1) permits acquisition through the famous marks doctrine. Instead, Cubatabaco argues that (1) its acquisition of the mark is not prohibited by § 515.201(b) because that section does not cover transfers by operation of law and (2) its acquisition of the mark is in any event permitted by the special license granted to it by the OFAC.

B. Cubatabaco's Claims for Injunctive Relief Based on Section 43(a) and the Paris Convention Fail Because They Entail a Transfer of Property Rights to Cubatabaco in Violation of the Embargo

Cubatabaco argues that even if the Regulations bar its acquisition of the U.S. COHIBA mark, it is entitled to obtain cancellation of General Cigar's registration of the COHIBA mark and an injunction preventing General Cigar from using the mark in the United States because its mark was famous in the United States before General Cigar recommenced its use in November 1992. Cubatabaco maintains that this relief is warranted under Section 43(a) of the Lanham Act, as well as under Article 6bis of the Paris Convention, which it claims is implemented by Sections 44(b) and (h) of the Lanham Act even if full transfer of the COHIBA mark to Cubatabaco is prohibited.

As an initial matter, we find that granting Cubatabaco the injunctive relief sought would effect a transfer of property rights to a Cuban entity in violation of the embargo. There is no contest that, as matters stand, General Cigar has the full panel of property rights in the COHIBA mark, including the right to exclude or limit others seeking to use the mark in the United States. Invoking Sections 43(a), 44(b), and 44(h) of the Lanham Act and treaty duties owed by a state party to the Paris Convention, Cubatabaco seeks to exclude General Cigar from commercial use of the COHIBA mark in the United States. There is no doubt that granting this relief to Cubatabaco would entail a transfer from General Cigar to Cubatabaco of a "right, remedy, power, privilege, or interest with respect to [the COHIBA mark]." 31 C.F.R. § 515.310. As it is exactly this brand of property right transfer that the embargo prohibits, we cannot sanction a grant of injunctive remedy to Cubatabaco in the form

of the right, privilege, and power to exclude General Cigar from using its duly registered mark. As described below, this limitation on judicial authority applies equally to Cubatabaco's Lanham Act and Paris Convention claims.

1. Section 43(a) Claim for Unfair Competition

In response to the *amicus curiae* brief submitted by the United States, Cubatabaco argues that even if acquisition of the U.S. COHIBA mark is barred by the Embargo Regulations and Cubatabaco cannot bring a trademark infringement claim under Section 43(a) of the Lanham Act, it nonetheless should obtain, under Section 43(a), cancellation of General Cigar's mark and an injunction against General Cigar's use of the mark.⁷ Cubatabaco asserts that the government correctly concludes that ownership of a mark is not required for a Section 43(a)

⁷ Section 43(a)(1) of the Lanham Act provides:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

claim of unfair competition, and that the District Court's factual findings support the conclusion that General Cigar violated Section 43(a).⁸

Cubatabaco did not litigate this Section 43(a) claim in the District Court. The only Section 43(a) claim that Cubatabaco brought was a claim for trademark infringement. Cubatabaco did initially assert in its complaint several non-trademark infringement claims under Section 43(a), but it stipulated to dismissal of those claims with prejudice after our decision in *Havana Club*. Cubatabaco argues, however, that "the United States' construction of the Lanham Act is properly before this Court" and "[a]ny supposed delay in advancing legal theories supporting affirmance is solely attributable to [General Cigar's] own failure to raise its [Embargo Regulations] arguments until appeal." Appellee Letter Br. at 14. Because Cubatabaco might have litigated in the District Court a claim of the type imagined by the United States had General Cigar argued below that the Regulations barred Cubatabaco's acquisition of the U.S. COHIBA mark through the famous marks doctrine, we address Cubatabaco's argument that the relief ordered by the District Court was appropriate even if the embargo prevents Cubatabaco from owning the U.S. COHIBA mark.

Adopting the views set forth in the *amicus curiae* brief filed by the United States, Cubatabaco argues that even if General Cigar owns the COHIBA mark in the United States, Cubatabaco can prevail in a Section 43(a) claim against General Cigar on the theory that General Cigar's

⁸ The government argues that cancelling General Cigar's mark, enjoining General Cigar's use of the mark, and requiring General Cigar to recall goods and labels bearing the mark, based on a finding of unfair competition under Section 43(a), is not barred by the Embargo Regulations.

use of the COHIBA mark in the United States causes consumer confusion. In support of this argument, Cubatabaco argues that Section 43(a) "goes beyond trademark protection." Appellee Letter Br. at 8.

While it is true that Section 43(a) "goes beyond trademark protection," *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28 (2003), to prohibit market behavior that may "deceive consumers and impair a producer's goodwill," *id.* at 32, through "the deceptive and misleading use of marks . . . '§ 43(a) can never be a federal codification of the overall law of unfair competition,' but can apply only to certain unfair trade practices prohibited by its text," *id.* at 28-29 (quoting 4 J. McCarthy *Trademarks and Unfair Competition* § 27:7, p 27-14 (4th ed. 2002) (internal quotation marks omitted)). Specifically, Section 43(a) includes causes of action grounded in allegations of "false or misleading description of fact," "false or misleading representation of fact," or false designation of geographic origin.

None of these theories need detain us here, however, because the case before us turns on the right to use the COHIBA mark, putting it well within the category of Section 43(a) cases that involve claims "for infringement of rights in a mark acquired by use." *Virgin Enterps., Ltd. v. Nawab*, 335 F.3d 141, 146 (2d Cir. 2003); see also 4 McCarthy, *supra*, § 27:9 ("[Section] 43(a) gradually developed through judicial construction into the foremost federal vehicle for the assertion of two major and distinct types of 'unfair competition': (1) infringement of even unregistered marks, names and trade dress, and (2) 'false advertising.' . . . [I]n 1989, Congress codified the two-prongs . . ."). Cubatabaco stipulated to the dismissal of its false advertising claim and is not

attempting to argue that General Cigar is engaging in any form of false advertising.⁹

Therefore, the cases that provide the closest analogues to the case at bar are those like *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir. 1997), where we held that although Genesee could not prevail in a claim for trademark infringement under Section 43(a) against Stroh because the phrase "Honey Brown," which it was seeking to protect, was generic as applied to Stroh's ale beer, "[t]he fact that Genesee's mark is generic as applied to Stroh's product . . . does not preclude a finding that Stroh has violated the Lanham Act by engaging in unfair competition." *Id.* at 149. In *Genesee*, the plaintiff's ability to bring a claim for confusion against a defendant using a particular trademark in commerce depended on the plaintiff showing that it was the first to use the mark in commerce. The plaintiff in *Genesee* was not attempting to assert a Section 43(a) unfair competition claim against a defendant who owned the mark at issue—rather, the claim was against a defendant who was using a generic mark subsequent to the plaintiff's use of the mark.

Cubatabaco's theory is that General Cigar's sale of COHIBA cigars in the United States violates Section 43(a) because it is likely to cause consumer confusion as

⁹ Section 43(a) also "goes beyond trademark protection" in the sense that the provision can be used to protect trade dress or to protect against other forms of product infringement. But this is not a case about trade dress—Cubatabaco originally brought a trade dress infringement claim but has not appealed the District Court's dismissal of the claim. This is, rather, a case about which entity owns the COHIBA trademark in the United States, and—principally because we hold that the Regulations prohibit transfer of any property right in the COHIBA mark to Cubatabaco—we hold today that General Cigar, and not Cubatabaco, owns the COHIBA trademark in the United States.

to the source or attribution of those cigars. The confusion alleged by Cubatabaco in support of its Section 43(a) claim is derived solely from General Cigar's use of the COHIBA mark. Cubatabaco cannot obtain relief on a theory that General Cigar's use of the mark causes confusion, because, pursuant to our holding today, General Cigar's legal right to the COHIBA mark has been established as against Cubatabaco. General Cigar has a right to use the mark in the United States because it owns the mark in the United States.

In Part IA of this opinion we held that General Cigar has priority rights to the COHIBA mark in the United States as against Cubatabaco. *See supra* at [page 19-27]. To allow Cubatabaco to prevail on a claim of unfair competition against General Cigar and to obtain an injunction prohibiting General Cigar from using the mark would turn the law of trademark on its head. None of United States law, the facts in this case, or international treaties warrants such acrobatics in this case. We therefore find that, on the facts of this case, Cubatabaco's Section 43(a) claim seeking an injunction against General Cigar's use of its duly registered COHIBA mark cannot succeed as a matter of law.

We do not find the analysis offered by the government and by Cubatabaco in defense of the recast Section 43(a) persuasive. It may be true that, as the government argues, "Cubatabaco's foreign registrations give it the right to register its COHIBA mark [in the United States], absent General Cigar's registration." *Amicus Curiae Br.* at 12. That is, however, a hypothetical circumstance upon which we need not speculate. As we hold today, General Cigar *does have* a valid registration on the COHIBA mark in the United States. Further, while it may be true, as the government points out, that Cubatabaco's COHIBA mark "was 'famous' and had secondary meaning in the United

States before General Cigar's first use [of its COHIBA mark]," *id.*, we have already held that this fact cannot justify a transfer of property rights in the COHIBA mark to Cubatabaco via the "famous marks doctrine." We see no reason to alter that holding to allow Cubatabaco to achieve the same transfer via a route that is one step more circuitous than the path rejected above.

2. *Article 6bis Paris Convention*

Cubatabaco maintains that even if the Regulations bar its acquisition of the mark, and even if it cannot obtain relief for an unfair competition claim under Section 43(a), it has a right under Article 6bis of the Paris Convention, in conjunction with Sections 44(b) and (h) of the Lanham Act, to obtain cancellation of General Cigar's mark and an injunction against its use.

Article 6bis of the Paris Convention provides that:

(1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union

may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

Paris Convention, Art. 6*bis*, 21 U.S.T. at 1640.

Both the United States and Cuba are parties to the Paris Convention. *Id.* at 1669, 1676.

According to Cubatabaco, Sections 44(b) and (h) incorporate treaty provisions relating to the "repression of unfair competition," and rights under Article 6*bis* fall into that category. Section 44(b) provides that:

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

15 U.S.C. § 1126(b). Therefore, Cubatabaco is entitled to the benefits of Section 44, "under the conditions expressed herein," but only to the extent necessary to give effect to any provision of a treaty. Section 44(h) provides:

Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement

of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

Id. § 1126(h). "Rights under Section 44(h) are co-extensive with treaty rights under section 44(b), including treaty rights 'relating to . . . the repression of unfair competition.'" *Havana Club*, 203 F.3d at 134 (quoting 15 U.S.C. § 1126(b)); see also *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 907 (9th Cir. 2002) (" '[T]he grant in subsection (h) of effective protection against unfair competition is tailored to the provisions of the unfair competition treaties by subsection (b), which extends the benefits of section 44 only to the extent necessary to give effect to the treaties.' Subsection 44(h) creates a federal right that is coextensive with the substantive provisions of the treaty involved." (quoting *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 792 (9th Cir. 1981) (citation omitted))).

Cubatabaco may be correct that Sections 44(b) and (h) incorporate Article 6bis and allow foreign entities to acquire U.S. trademark rights in the United States if their marks are sufficiently famous in the United States before they are used in this country. That is the view expressed by some commentators. See 4 *McCarthy on Trademarks and Unfair Competition* § 29:4 (4th ed. 2004) ("In the author's view, the well-known or famous marks doctrine of Paris Convention Article 6bis is incorporated into United States domestic law though the operation of Lanham Act § 43(a), § 44(b) and § 44(h)." (footnote omitted)).¹⁰

¹⁰ *McCarthy* asserts that claims for protection of "famous" marks should be brought under Section 43(a). See 4 *McCarthy on Trademarks and Unfair Competition* § 29:4 ("Lanham Act § 43(a) gives a foreign national without a federal registration of its mark standing to sue in a federal court, invoke the well-known marks doctrine of the Paris Convention Article 6bis, and prevail if its mark is

However, we need not decide that broad question here because even assuming that the famous marks doctrine is otherwise viable and applicable, the embargo bars Cubatabaco from acquiring property rights in the U.S. COHIBA mark through the doctrine. The Embargo Regulations do not permit Cubatabaco to acquire the power to exclude General Cigar from using the mark in the United States. We do not read Article 6*bis* and Section 44(b) and (h) of the Lanham Act to require cancellation of General Cigar's properly registered trademark or an injunction against its use of the mark in the United States under these circumstances.

In any event, to the extent that the Paris Convention, standing alone, might pose an irreconcilable conflict to the Regulations, the latter will prevail. "[A]n act of congress ought never to be construed to violate the law of nations, if any other possible construction remains." *Weinberger v. Rossi*, 456 U.S. 25, 32 (1982) (quotations and citations omitted). However, as we have recently recalled, "legislative acts trump treaty-made international law" when those acts are passed subsequent to ratification of the treaty and clearly contradict treaty obligations. *United States v. Yousef*, 327 F.3d 56, 110 (2d Cir. 2003) (citing *Breard v. Greene*, 523 U.S. 371, 376 (1998); see also *Whitney v. Robertson*, 124 U.S. 190, 194 (1888) (if a treaty and a federal statute conflict, "the one last in date will control the other"). The most recent iteration of the Paris Convention was ratified by the United States in 1970, see 21 U.S.T. 1583; whereas the

so well-known in the U.S. that confusion is likely."). To the extent that a foreign entity attempts to utilize the famous marks doctrine as basis for its right to a U.S. trademark and seeks to prevent another entity from using the mark in the United States, the claim should be brought under Section 43(a). Under Section 43(a), both foreign and domestic entities can seek relief for infringement of unregistered marks.

Regulations were reaffirmed and codified in 1996 with the passage of the LIBERTAD Act, 110 Stat. 792 (1996), 22 U.S.C. § 6032(h). In these circumstances, any claim grounded in the Paris Convention that presented an irreconcilable conflict with the Regulations would be rendered "null" by the Regulations. *Breard*, 523 U.S. at 376.

II. OTHER TREATY CLAIMS BROUGHT UNDER SECTIONS 44(B) AND (H) OF THE LANHAM ACT

A. *Articles 7 and 8 of the IAC*

Cubatabaco argues that the District Court erred in dismissing its claims under Articles 7 and 8 of the Inter-American Convention. Both the United States and Cuba are parties to the IAC. *See* IAC, Art. 13, 46 Stat. 2907, 2946-47; *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 121 (2d Cir.), *cert. denied*, 531 U.S. 918 (2000).

Articles 7 and 8 appear in the chapter of the IAC entitled "Trademark Protection." Article 7 provides that:

Any owner of a mark protected in one of the Contracting States in accordance with its domestic law, who may know that some other person is using or applying to register or deposit an interfering mark in any other of the Contracting States, shall have the right to oppose such use, registration or deposit and shall have the right to employ all legal means, procedure or recourse provided in the country in which such interfering mark is being used or where its registration or deposit is being sought, and upon proof that the person who is using such mark or applying to register or deposit it, had knowledge of the existence and continuous use in any of the Contracting

States of the mark on which opposition is based upon goods of the same class, the opposer may claim for himself the preferential right to use such mark in the country where the opposition is made or priority to register or deposit it in such country, upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

IAC, Art. 7, 46 Stat. at 2918-19. Article 8 provides that:

When the owner of a mark seeks the registration or deposit of the mark in a Contracting State other than that of origin of the mark and such registration or deposit is refused because of the previous registration or deposit of an interfering mark, he shall have the right to apply for and obtain the cancellation or annulment of the interfering mark upon proving, in accordance with the legal procedure of the country in which cancellation is sought, the stipulations in Paragraph (a) and those of either Paragraph (b) or (c) below:

(a) That he enjoyed legal protection for his mark in another of the Contracting States prior to the date of the application for the registration or deposit which he seeks to cancel; and

(b) that the claimant of the interfering mark, the cancellation of which is sought, had knowledge of the use, employment, registration or deposit in any of the Contracting States of the mark for the specific goods to which said interfering mark is applied, prior to adoption and use thereof or prior to the filing of the application or deposit of the mark which is sought to be cancelled; or

(c) that the owner of the mark who seeks cancellation based on a prior right to the ownership and use of such mark, has traded or trades with or in the country in which cancellation is sought, and that goods designated by his mark have circulated and circulate in said country from a date prior to the filing of the application for registration or deposit for the mark, the cancellation which is claimed, or prior to the adoption and use of the same.

IAC, Art. 8, 46 Stat. at 2920-21.

According to *Cubatabaco*, Articles 7 and 8 of the IAC "grant the owner of a trademark in one country (Cuba) the priority to register and to use the mark in another country (the U.S.), *as against* one ([General Cigar]) who had knowledge of the treaty national's prior use or registration (*Cubatabaco's* use or registration in Cuba)." Appellee's Br. at 85. *Cubatabaco* argues that under Articles 7 and 8, "[i]f the foreign treaty national's application to register the mark would otherwise be refused, it can cancel the 'interfering' registration" and "has the 'right to oppose such use.'" *Id.*

Cubatabaco asserts that it is entitled to relief for its claims under Articles 7 and 8 of the IAC under Sections 44(b) and (h) of the Lanham Act. In *Havana Club*, however, we noted that a foreign entity may not assert a claim under Article 23 of the IAC pursuant to Section 44(h) of the Lanham Act "because the IAC does not treat rights under Article 23 as rights related to the repression of unfair competition."¹¹ *Havana Club*, 203 F.3d at 135

¹¹ Article 23 of the IAC, which appears under Chapter V of the IAC entitled "Repression of False Indications of Geographical Origin or Sources," provides: "Every indication of geographical origin or source which does not actually correspond to the place in which

n.19. Following our holding in *Havana Club*, the District Court concluded that Cubatabaco could not assert rights under Articles 7 and 8 of the IAC pursuant to Section 44(h) of the Lanham Act because Articles 7 and 8 are not related to the repression of unfair competition. The court noted that Chapter IV of the IAC, which includes Articles 20, 21, and 22, is entitled "Repression of Unfair Competition," whereas Articles 7 and 8 of the IAC are located in Chapter II, which is entitled "Trademark Protection." *Empresa I*, 213 F. Supp. 2d at 281. Furthermore, the court said that Articles 7 and 8 relate to priority of registration and under Section 44(d) Congress "specifically carved out how owners of trademarks registered in other countries may obtain a U.S. registration." *Id.*

We agree with the District Court that Cubatabaco cannot assert claims under Articles 7 and 8 pursuant to Section 44(h) of the Lanham Act because Articles 7 and 8 do not relate to the repression of unfair competition. As General Cigar points out, Congress enacted Section 44(d) of the Lanham Act to implement treaty rights regarding priority of foreign registrants. Under Section 44(d), a foreign entity, whose country of origin is a party to a trademark treaty to which the United States is also a party, can secure priority in the United States from the date of its foreign registration as long as it registers in the United States within six months of the date of its foreign registration and it states that it has "a bona fide intention to use the mark in commerce." 15 U.S.C. § 1126(d). Foreign entities are entitled to this benefit regardless of whether a domestic registrant or user had knowledge of the prior foreign registration or use. Thus,

the article, product or merchandise was fabricated, manufactured, produced or harvested, shall be considered fraudulent and illegal, and therefore prohibited." IAC, Article 23, 46 Stat. at 2934.

although Section 44(d) contains a time limit, the priority rights it provides for foreign entities are broader than Articles 7 and 8 of the IAC. Congress implemented Articles 7 and 8 through Section 44(d) of the Lanham Act and those provisions do not relate to the "repression of unfair competition" within the meaning of Section 44(h). Accordingly, we hold that Cubatabaco cannot assert Article 7 or Article 8 rights under Sections 44(b) and (h) of the Lanham Act. The District Court properly dismissed these claims.

B. Treaty-Based Unfair Competition Claims

Cubatabaco argues that the District Court erred in dismissing its claims under Articles 20 and 21 of the IAC,¹²

¹² Article 20 of the IAC provides that "[e]very act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and, therefore, unjust and prohibited." IAC, Art. 20, 46 Stat. at 2930-32. Article 21 provides:

The following are declared to be acts of unfair competition and unless otherwise effectively dealt with under the domestic laws of the Contracting States shall be repressed under the provisions of this Convention:

(a) Acts calculated directly or indirectly to represent that the goods or business of a manufacturer, industrialist, merchant or agriculturist are the goods or business of another manufacturer, industrialist, merchant or agriculturist of any of the other Contracting States, whether such representation be made by the appropriation or simulation of trade marks, symbols, distinctive names, the imitation of labels, wrappers, containers, commercial names, or other means of identification;

(b) The use of false descriptions of goods, by words, symbols or other means tending to deceive the public in the country where the acts occur, with respect to the nature, quality, or utility of the goods;

(footnote continued)

and Article *10bis* of the Paris Convention,¹³ all of which Cubatabaco asserted pursuant to Sections 44(b) and (h) of the Lanham Act.

(c) The use of false indications of geographical origin or source of goods, by words, symbols, or other means which tend in that respect to deceive the public in the country in which these acts occur;

(d) To sell, or offer for sale to the public an article, product or merchandise of such form or appearance that even though it does not bear directly or indirectly an indication of origin or source, gives or produces, either by pictures, ornaments, or language employed in the text, the impression of being a product, article or commodity originating, manufactured or produced in one of the other Contracting States;

(e) Any other act or deed contrary to good faith in industrial, commercial or agricultural matters which, because of its nature or purpose, may be considered analogous or similar to those above mentioned.

Id., Art. 21, 46 stat. at 2932-34.

¹³ Article *10bis* provides:

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the

In *Havana Club* we dismissed a claim for unfair competition brought by the plaintiff under Article 21(c) of the IAC and Section 44(h) of the Lanham Act. We noted that Article 21 of the IAC "authorizes the prohibition of its specified acts of unfair competition 'unless otherwise effectively dealt with under the domestic laws of the Contracting States.'" *Havana Club*, 203 F.3d at 134 (quoting IAC, Art. 21, 46 Stat. at 2932). We held that Section 43(a) already effectively prohibited the conduct covered by Article 21(c) of the IAC and dismissed the IAC claim. That holding applies here. Cubatabaco does not claim that Article 21 prohibits a broader range of conduct than Section 43(a) of the Lanham Act. Appellant Reply Br. at 22. Therefore, Cubatabaco cannot bring a claim under Article 21 of the IAC pursuant to Sections 44(b) and (h). To the extent Cubatabaco is attempting to raise claims under IAC Article 20, that provision does not provide a separate basis for relief because it is implemented through Section 43(a) of the Lanham Act.

In addition, Cubatabaco cannot maintain a claim for unfair competition under Article 10*bis* of the Paris Convention pursuant to Sections 44(b) and (h) of the Lanham Act. The Paris Convention requires that "foreign nationals . . . be given the same treatment in each of the member countries as that country makes available to its own citizens." *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956). "[T]he Paris Convention provides for national treatment, and does not define the substantive law of unfair competition." *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 908 (9th Cir. 2002). As the Eleventh Circuit has explained:

manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

Paris Convention, Art. 10*bis*. 21 U.S.T. at 1648.

We agree that section 44 of the Lanham Act incorporated, to some degree, the Paris Convention. But we disagree that the Paris Convention creates substantive rights beyond those independently provided in the Lanham Act. As other courts of appeals have noted, the rights articulated in the Paris Convention do not exceed the rights conferred by the Lanham Act. Instead, we conclude that the Paris Convention, as incorporated by the Lanham Act, only requires "national treatment."

National treatment means that "foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens." So, section 44 of the Lanham Act gives foreign nationals the same rights and protections provided to United States citizens by the Lanham Act. As such, foreign nationals like Plaintiff may seek protection in United States courts for violations of the Lanham Act. But the Paris Convention, as incorporated by section 44 of the Lanham Act, creates no new cause of action for unfair competition. Any cause of action based on unfair competition must be grounded in the substantive provisions of the Lanham Act.

Int'l Café, S.A.L. v. Hard Rock Café Int'l (U.S.A.), Inc., 252 F.3d 1274, 1277-78 (11th Cir. 2001) (citations omitted). Therefore, we conclude that Cubatabaco cannot maintain a separate claim for unfair competition under Article 10*bis* and Sections 44(b) and (h). Rather, a claim for unfair competition must be brought under Section 43(a) or state law. See *Mattel*, 296 F.3d at 908.¹⁴

¹⁴ In any event, as noted above, any irreconcilable conflict between the Paris Convention and the Regulations would be resolved in favor of the Regulations.

III. STATE LAW CLAIMS

Cubatabaco also argues that the District Court erred in dismissing its New York unfair competition claim, and its claim under New York's anti-dilution statute, N.Y. Gen. Bus. Law § 360-1.¹⁵ We affirm the dismissal of both of these claims.

The District Court found that General Cigar had not acted in bad faith by using the COHIBA name, and, because bad faith must be demonstrated for a claim of unfair competition under New York law, Cubatabaco's claim should be dismissed. We agree. A plaintiff claiming unfair competition under New York law must show that the defendant acted in bad faith. *See Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 149 (2d Cir. 1997) ("The district court was correct that Genesee's *state law* claim of unfair competition is not viable without a showing of bad faith."); *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 35 (2d Cir. 1995) (stating that in "a common law unfair competition claim under New York law" there "must be some showing of bad faith"). We find no error in the District Court's bad faith determination and therefore affirm the dismissal of the claim.

We affirm the District Court's dismissal of Cubatabaco's claim of dilution under New York General Business Law § 360-1. Cubatabaco has failed to establish that it owns

¹⁵ That statute provides:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

N.Y. Gen. Bus. Law § 360-1 (McKinney Supp. 2004).

the COHIBA mark and cannot prevail on a claim of dilution. *See The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 966 (2d Cir. 1996) ("To establish a trademark dilution claim under New York law, TSA must show ownership of a distinctive mark and a likelihood of dilution.").

CONCLUSION

For the foregoing reasons, the judgment of the District Court is affirmed in part, reversed in part, and remanded for entry of an order dismissing all remaining claims. We vacate those portions of the District Court's order that cancel General Cigar's registration, enjoin its use of the mark, order it to deliver materials to Cubatabaco, and require it to recall from retail customers and distributors products bearing the mark, and to inform customers and distributors that they cannot sell General Cigar's COHIBA-labeled products in the United States.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

04-2527-cv
Filed June 1, 2005

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Thurgood Marshall United States Courthouse, Foley Square, in the City of New York, on the 1st day of June two thousand five.

EMPRESA CUBANA

—v.—

CULBRO CORPORATION

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the Appellee-Cross-Appellant Empresa Cubana Del Tabaco. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED**.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the

appeal and that no such judge has requested that a vote be taken thereon.

For the Court,

Roseann B. MacKechnie, Clerk

By: TRACY W. YOUNG
Motion Staff Attorney

51a

[LETTERHEAD OF U.S. DEPARTMENT OF JUSTICE]

November 12, 2004

**By Facsimile 212 857-8578 and Federal Express
Overnight**

Ms. Roseann B. MacKeehnie
Clerk of the Court
U.S. Court of Appeals, Second Circuit
Thurgood Marshall U.S. Courthouse at Foley Square
40 Centre Street
New York, NY 10007

Attn: Tammy Martinez

Re: Empresa Cubana del Tabaco, d/b/a Cubatabaco v.
Culbro Corp., et al., No. 04-2527 (2d Cir.)

This *amicus curiae* letter brief on behalf of the United States is submitted as requested in the Court's letter dated August 27, 2004 to the Acting Solicitor General and the General Counsel of the Department of the Treasury.

QUESTION PRESENTED

This case involves a dispute between General Cigar Company (a United States corporation) and Cubatabaco (a Cuban state-owned entity), centering on the rights to the COHIBA trademark in the United States. The district court found that Cubatabaco had acquired the right to the COHIBA trademark in the United States through application of the "famous marks doctrine." Although the United States did not participate in this case in the district court, this Court invited the United States to submit an *amicus curiae* letter brief. The question presented by

the Court is: "Is it consistent with the Cuban Assets Control Regulations ("CACR"), 31 C.F.R. § 515.101 *et seq.*, for Cubatabaco to acquire trademark rights in this manner?" The Court requested that the United States, in answering that question, provide its views on the following issues:

- 1) whether the District Court's order constitutes a transfer of property that is prohibited by the CACR, see 31 C.F.R. §§ 515.201(b)-(c), 515.309, 515.310;
- 2) whether Cubatabaco's acquisition of the mark through the "famous marks doctrine" is a transfer by operation of law that is prohibited by the CACR, see 31 C.F.R. § 515.201(b)-(c), 515.525;
- 3) whether Cubatabaco's acquisition of the mark is authorized by 31 C.F.R. § 515.527;
- 4) whether Cubatabaco's acquisition of the mark is authorized by the special license that was issued to it on October 16, 1997 by the Office of Foreign Assets Control (License No. C-18942); and
- 5) such other aspects of the CACR that you deem relevant to this case.

STATEMENT

1. A more complete recitation of the facts is contained in the district court's opinions, especially that of March 26, 2004, as well as in the parties' briefs. We recite here our understanding of the factual and legal findings of the district court relevant to the question the Court has asked.

a. Plaintiff Cubatabaco is a Cuban governmental entity that exports Cuban tobacco products. Defendant General Cigar Co. is a Delaware corporation that manufactures and distributes tobacco products. Other defendants are related corporate entities.

In the 1970s, Cubatabaco registered its COHIBA trademark for cigars in Cuba and many other countries. It began exporting COHIBA cigars in the early 1980s. In the mid-1980s, Cubatabaco decided not to pursue registration of the COHIBA trademark in the United States, apparently upon advice from counsel who determined that General Cigar had already registered the COHIBA trademark in the United States under an application filed in 1978. However, Cubatabaco did register a different mark—BEHIQUE—in the United States with the same trade dress that it used for COHIBA elsewhere. Cubatabaco did not take any steps to challenge General Cigar's use of the COHIBA mark at that time. SPA-50 to -51.¹

General Cigar became aware of the Cuban COHIBA mark in the late 1970s and obtained the U.S. registration in 1981 based on a first use in 1978. Its sales of COHIBA cigars peaked in the early 1980s but ceased at some point in 1987. By 1992, General Cigar possessed no goodwill from the COHIBA mark. SPA-51 to -52. However, in 1992, a new magazine, *Cigar Aficionado*, published articles extremely favorable towards the Cuban COHIBA cigars. On November 20, 1992, General Cigar started using the COHIBA name for one of its premium cigars (previously marketed under a different name). SPA-53 to -54. General Cigar's new application to register the COHIBA mark was published in 1994 and granted without opposition in 1995. SPA-60. However, in 1997, Cubatabaco commenced proceedings before the United States Patent and Trademark Office (USPTO) and

¹ Citations to the district court opinions are to the parties' Special Appendix filed in this appeal. In accord with the practice of the parties, this document is cited as "SPA-" followed by the relevant page number.

its Trademark Trial and Appeal Board (TTAB) to cancel General Cigar's COHIBA registration and to register its own COHIBA mark. SPA-63. General Cigar then launched a new super-premium cigar with the COHIBA name. SPA-64. Later in 1997, Cubatabaco filed the instant lawsuit, seeking injunctive relief and monetary damages under several treaty provisions, the Lanham Act, and New York State law. The USPTO and TTAB proceedings have been stayed pending the outcome of the judicial proceedings.

b. The district court addressed Cubatabaco's claims piecemeal over a series of orders both before and after the bench trial in this case. Specifically relevant to the questions that the Court has posed to the United States, the district court held that Cubatabaco had a protectable mark and that General Cigar's use of that mark was likely to cause consumer confusion as to the origin or sponsorship of its cigars. *See* SPA-70 to -83. In reaching this holding, the district court applied the "common-law 'well-known' or 'famous marks' doctrine," which was "first recognized in Article 6bis of the Paris Convention." SPA-70. The district court concluded that by the time General Cigar first used the COHIBA mark (in November 1992) after abandoning its previous registration, the Cuban COHIBA mark had become well known in the United States. Therefore, by operation of the famous marks doctrine, "Cubatabaco had a legally protectable right to the mark at that time." SPA-77. The court based its conclusions regarding the fame of the Cuban COHIBA mark at that time on consumer studies, unsolicited media coverage, and attempts to plagiarize the mark. SPA-74 to 77. The court also concluded that "there is a likelihood of confusion between the Cuban COHIBA and the General Cigar COHIBA." SPA-77 to 83. Having concluded that Cubatabaco possessed a pro-

tectable COHIBA mark in the United States in November 1992 under the famous marks doctrine and that there was a likelihood of confusion between the two COHIBA marks, the district court concluded that Cubatabaco was entitled to relief under the Lanham Act, ordered the cancellation of General Cigar's COHIBA registration, and enjoined the further use of the mark by General Cigar. SPA-85. Having previously bifurcated the trial on liability from any trial on damages, the district court delayed a decision on damages pending further evidentiary proceedings. SPA-89 to -90. Finally, the district court certified its order for interlocutory appeal. SPA-97 to -98.

c. This Court granted cross-petitions for interlocutory appeal and a stay pending appeal. On appeal, General Cigar argued that the Department of the Treasury's Office of Foreign Assets Control (OFAC) Cuban Assets Control Regulations (the Regulations) prevented Cubatabaco from acquiring trademark rights through the famous marks doctrine, as the district court had held. General Cigar Br. 59-64. Cubatabaco asserted that this argument had been waived, but, in any event, that the Regulations did not prevent its acquisition of trademark rights. Cubatabaco Br. 57-61. Oral argument was held in this case on August 24, 2004, and it is currently under consideration.

2. This Court has recently described the history and status of the Cuban embargo as follows:

The Cuban embargo. In 1963, the United States imposed an embargo on Cuba, reflected in the Cuban Assets Control Regulations ("CACR"), as amended, 31C.F.R. §§ 515.101-515.901 (1999), promulgated pursuant to section 5(b) of the Trading with the Enemy Act of 1917, as amended, 12 U.S.C.

§ 95a ("TWEA"). In 1996, Congress enacted the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act ("LIBERTAD Act"), Pub. L. No. 104-114, 110 Stat. 785 (1996), which, among other things, codified the regulations implementing the Cuban embargo, *see* 22 U.S.C. § 6032(h). The Secretary of the Treasury has the authority to administer the Cuban embargo, which he has delegated to the Office of Foreign Assets Control ("OFAC"), *see* 31 C.F.R. § 515.802.

Havana Club Holding, S.A. v. Galleon, S.A., 203 F.3d 116, 120 (2d Cir. 2000); *see also* *Regan v. Wald*, 468 U.S. 222, 225-59 (1984). As this Court went on to note, the purpose of the Regulations is to "prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or otherwise transferring rights subject to United States jurisdiction." *Havana Club*, 203 F.3d at 124.

The OFAC Regulations broadly prohibit transactions involving property in which Cuba or a Cuban national has an interest, including "all dealings in, including, without limitation, transfers, withdrawals, or exportations of, any-property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States." 31 C.F.R. § 515.201(b)(1). The term "transfer" is also defined extremely broadly to include "any actual or purported act or transaction . . . the purpose, intent, or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property." *Id.* § 515.310. And finally, the term "property" is defined broadly to specifically encompass trademarks. *Id.* § 515.311(a).

There are two broad categories of exceptions to these prohibitions. General licenses, contained within the Regulations themselves, constitute one such category. Specific licenses, granted by OFAC in response to specific requests, constitute the other. See 31 C.F.R. § 515.201 (recognizing the Secretary of the Treasury or designee to create exceptions from the embargo prohibitions "by means of regulations, rulings, instructions, licenses, or otherwise"); *id.* § 515.802 (delegating the Secretary's authority under § 515.201 to the Director of OFAC).

The Court has directed our attention to two general licenses. Under the heading of "Certain transactions with respect to United States intellectual property," 31 C.F.R. § 515.527 states that:

Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.

31 C.F.R. § 515.527(a)(1).² The second general license addresses "Certain transfers by operation of law," and authorizes transfers (1) "arising solely as a consequence of the existence or change of marital status;" (2) by intestate succession; and (3) to an administrator, executor, or fiduciary in connection with a will or intestate succession. 31 C.F.R. § 515.525.

² Additional provisions of section 515.527 authorize the payment of fees for the transactions authorized in the quoted provision. A final provision, which was crucial to this Court's decision in *Havana Club*, but is not relevant here, relates to "confiscated" (or expropriated) trademarks. See 31 C.F.R. § 515.527(a)(2). Because the COHIBA mark was created and first used after the Cuban Revolution, confiscation is not at issue here.

The Court has also directed our attention to OFAC special license number C-18942 (reproduced at SSA-83 to -85),³ which authorizes Cubatabaco and related entities to retain and compensate counsel to "initiate legal proceedings in U.S. courts and to otherwise pursue their judicial remedies with respect to claims to the COMA trademark." SSA-84.

DISCUSSION

Although the Cuban Assets Control Regulations do not prohibit the district court's order cancelling General Cigar's COHIBA registration and enjoining General Cigar from using the COHIBA mark, the district court's conclusion that Cubatabaco acquired the United States COHIBA trademark through the famous marks doctrine in 1992 would constitute a prohibited transfer under the Regulations not otherwise authorized under special license (C-18942). As discussed below, those Regulations do not preclude most of the relief ordered by the district court, including its orders cancelling General Cigar's COHIBA registration and enjoining General Cigar from using the COHIBA mark because those orders do not depend upon the finding regarding the acquisition of the mark by Cubatabaco.

1. As an initial matter, with two exceptions discussed below, the district court's order in this case does not comprise any transfer of property prohibited by the Regulations. In addition to simply dismissing or denying certain claims and making non-substantive rulings, the district court: (1) entered judgment in Cubatabaco's favor on its claim of trademark infringement; (2) entered

³ "SSA" refers to General Cigar's Supplemental Addendum filed in this appeal.

judgment that General Cigar had abandoned its right to the COHIBA mark held prior to November 1992;⁴ (3) cancelled General Cigar's COHIBA trademark and directed that the Director of the USPTO take appropriate action upon this cancellation; (4) enjoined General Cigar from using the COHIBA mark; (5) directed General Cigar to turn over to Cubatabaco goods and labels bearing the COHIBA mark; and (6) directed General Cigar to recall goods and labels bearing the COHIBA mark from its customers and distributors. *See* SPA-94 to -97.

Despite the broad prohibitions included in 31 C.F.R. § 515.201(b)(1), a judicial order adjudicating liability and setting damages is not prohibited under the Regulations, *see Dean Witter Reynolds, Inc. v. Fernandez*, 741 F.2d 355, 362 (11th Cir. 1984), but a judicial order that actually transfers property or property interests is prohibited, *see National Oil Corp. v. Libyan Sun Oil Co.*, 733 F.Supp. 800, 809-813 (D. Del. 1990) (applying similar provisions of the embargo against Libya), as is the execution of any judgment when that execution transfers property. The Supreme Court has similarly indicated that the OFAC Regulations allow the entry of a judgment in a case involving property in which a Cuban entity has an interest but prohibit the execution of such a judgment. *See First National City Bank v. Banco Para el Comercio Exterior de Cuba*, 462 U.S. 611, 632 n.24 (1983) (dictum); *see also Alfred Dunhill of London, Inc. v. Republic of Cuba*, 425 U.S. 682, 735-37 & nn. 25 & 27 (1976) (Marshall, J., dissenting); *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398 (1964) (leaving intact Cuban claim of conversion without mentioning regulations).

⁴ These first two orders for the entry of judgment appear to be in the nature of declaratory judgments.

This understanding is consistent with the purpose of the Regulations, namely to "prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or otherwise transferring rights subject to United States jurisdiction," *Havana Club*, 203 F.3d at 124. That purpose is achieved by allowing judicial orders that adjudicate disputes and clarify the parties' rights, but prohibiting the execution of judicial orders involving the transfer of property interests as well as the entry of self-executing orders that, by themselves, operate as a transfer of property rights.

In this case, the majority of the district court's substantive orders are not subject to the Regulations. First, the order cancelling General Cigar's COHIBA registration affects only the property of General Cigar; it gives no property right to Cubatabaco, and therefore does not relate to property in which a Cuban national has an interest. At any rate, OFAC has made clear that 31 C.F.R. § 515.527 authorizes a Cuban entity to seek the cancellation of a competing mark. A similar analysis applies to the judgment that General Cigar had abandoned its 1983 COHIBA registration and the injunctions that prohibit General Cigar from using its COHIBA mark and that require it to recall goods and labels bearing that mark. Because these remedies relate solely to General Cigar and its property in which Cubatabaco lacks an interest, they are not prohibited by the Regulations.

However, the Regulations do prohibit two parts of the district court's order and are not permitted pursuant to the special license. First, the order requiring General Cigar to turn over goods and labels bearing the COHIBA mark to Cubatabaco is a self-executing order requiring a transfer of property to a Cuban entity. This transfer is prohibited under the Regulations and this order should

therefore be vacated. Second, as discussed in greater detail below, the district court's judgment regarding trademark infringement appears to rest on its holding that Cubatabaco acquired the United States trademark rights to the COHIBA mark through operation of the famous marks doctrine in 1992. And that holding, in turn, constitutes a transfer prohibited under the Regulations. Thus, although a declaratory judgment finding infringement of a Cuban-held trademark is not, in itself, a transfer of property that is prohibited under the Regulations, those Regulations prohibit the declaratory judgment of infringement because the finding is premised on a prohibited transfer.

2. Cubatabaco's acquisition of the United States rights to the COHIBA mark through the famous marks doctrine, as found by the district court, was a transfer by operation of law that is prohibited by the Regulations. We separately address below the question of whether it was nonetheless authorized by either a general or special license.

As we understand the Court's question, the United States has been asked to assume that the district court's interpretation and application of the famous marks doctrine are correct, and to comment on whether that interpretation and application create a result that is at odds with the Cuban Assets Control Regulations. Accordingly, we are not discussing, analyzing, or endorsing the district court's interpretation and application of the famous marks doctrine. With that understanding in mind, we turn to the impact of the Regulations on the district court's holding that "Cubatabaco had a legally protectable right to the [COHIBA] mark" in November 1992. SPA-77; *Accord* SPA-85 (stating that Cubatabaco

"possessor of a protectable mark in November 1992 under the famous marks doctrine").

As noted above, the Regulations prohibit "transactions" including "transfers" involving property in which a Cuban entity has an interest, 31 C.F.R. § 515.201(b)(1); "transfer" is defined very broadly to include "any . . . act . . . the purpose, intent, or effect of which is to create . . . any right, remedy, power, privilege, or interest with respect to any property," *id.* § 515.310; and "property" includes trademarks, *id.* § 515.311. Under the plain language of these regulations, the acquisition of the trademark by Cubatabaco in 1992 through the famous marks doctrine, as found by the district court, created or vested a property right in Cubatabaco, and was therefore prohibited absent a general or special license.

Cubatabaco argues that the Regulations prohibit "transactions . . . not their legal effect." Cubatabaco Br. 58. Viewing the acquisition of the COHIBA mark through the famous marks doctrine as a legal effect and not a transaction itself, Cubatabaco asserts that such an acquisition was not prohibited. Cubatabaco also observes that authorized transactions (including advertising, distribution of informational materials and research data, and foreign sales to foreigners) "can" establish the fame of a mark in the United States, apparently intending to imply that the fame of its COHIBA mark in the United States was, in fact, the result of such authorized acts. Cubatabaco Br. 58-59.

This reasoning is flawed. Regardless of whether the acquisition of the COHIBA mark through the famous marks doctrine is characterized as an "effect" of other actions or not, it nevertheless falls within the Regulations' definition of a "transaction" involving property in

which a Cuban national has an interest. It involves, like other transactions, the acquisition by a Cuban national of a thing of value within the jurisdiction of the United States. Thus the question of whether the acquisition was the "effect" of some other act is irrelevant; the acquisition is a prohibited transaction that violates the Regulations "except as specifically authorized by the Secretary of the Treasury." 31 C.F.R. § 515.201(a) & (b).

Moreover, Cubatabaco's argument—that all legal effects of authorized transactions are themselves automatically authorized—is clearly contrary to the spirit and letter of the Regulations. The natural consequence of Cubatabaco's argument is that the legal effect of any act not prohibited by the Regulations must itself be permitted. If this were true, the Regulations would not apply to myriad legal consequences of everyday actions, such as property transfers occurring by operation of law when a person dies without a will or when a married couple divorces. But the Regulations include a general license for "Certain transfers by operation of law" that specifically authorizes transfers that occur by intestate succession or as a result of changes in marital status. *See* 31 C.F.R. § 515.525. Obviously, the Regulations prohibit neither death nor divorce. Equally obviously, property transfers resulting from such occurrences were prohibited under § 515.201 and that therefore the general license at § 515.525 was necessary in order to allow such transfer. Contrary to Cubatabaco's argument here, this evidences that § 515.201 prohibits all transactions, regardless of whether or not they are the legal "effects" of other, allowable, acts. Adopting Cubatabaco's argument would require this Court to assume that the Executive Branch simply promulgated a gratuitous provision when it promulgated § 515.525, which would not be an appropriate way to interpret the Regulations. *See, e.g.,*

Estate of Gloeckner v. CR, 152 F.3d 208, 214 (2d Cir. 1998) (regulations are construed, where possible, so as to avoid rendering superfluous any parts thereof) (quoting *Silverman v. Eastrich Multiple Investor Fund, L.P.*, 51 F.3d 28, 31 (3d Cir. 1995)).⁵

Accordingly, the acquisition of a trademark by a Cuban entity through the famous marks doctrine is a prohibited "transaction" under § 515.201.

3. As the Court is aware, § 515.527 is a general license authorizing "Certain transactions with respect to United States intellectual property." The applicable version of this rule authorized:

- (1) The filing in the United States Patent Office of applications for letters patent and for trademarks registration;
- (2) The making and filing in the United States Copyright Office of applications for registration or renewal of copyrights;
- (3) The prosecution in the United States Patent Office of applications for letters patent and for trademarks registration;
- (4) The receipt of letters patent or trademark registration certificates or copyright registration or renewal certificates granted pursuant to any such applications in which any designated national has at

⁵ We further note that, even if Cubatabaco's legal argument were correct, its factual predicate—that its COHIBA mark became famous in the United States solely as a result of actions authorized under the Regulations—is far from clear. The district court made no findings on this question, and the United States is not in a position to opine on the source of the fame of the Cuban COHIBA mark.

any time on or since the "effective date" had any interest.

31 C.F.R. § 515.527(a) (1992).⁶

Simply put, acquiring a trademark in the United States by operation of the famous marks doctrine is not on this detailed and carefully circumscribed list of authorized transactions. The 1992 regulation clearly allows only "[t]he receipt of . . . trademark registration certificates . . . granted pursuant to any such applications [in the USPTO]." The acquisition of trademark rights found by the district court does not meet these requirements. It did not result from (or even follow) any application for registration. To the contrary, Cubatabaco first filed to register the COHIBA mark in the United States some five years later. Indeed, United States law does not even recognize the famous marks doctrine as a basis for registering a trademark, 15 U.S.C. §§ 1051, 1126(e), 1141f, and Cubatabaco did not assert the famous marks doctrine as a basis on which registration should be issued. See Cubatabaco's USPTO Application, Serial No. 75/226,002 (asserting its foreign registration as the basis for obtaining a United States registration).⁷

⁶ This is the version of the rule in effect in November 1992, when, according to the district court, Cubatabaco acquired the rights to the COHIBA mark.

⁷ The current version of § 515.527(a)(1) is irrelevant to this inquiry because it was adopted in 1995, see 60 Fed. Reg. 54,194, 54,196 (Oct. 20, 1995)—after the acquisition of the COHIBA mark found by the district court. Because General Cigar has addressed the current regulatory language, however, see General Cigar Br. 62, we make the following additional observations. First, the revisions to § 515.527 were intended only to allow certain payments related to the protection of intellectual property, not to alter the basic rules under which that property can be acquired. See 60 Fed. Reg. at 54,195 ("Sections 515.527 and 515.528 are amended to authorize transac-

Contrary to Cubatabaco's arguments, *see* Cubatabaco Br. 36-39, this understanding of the Regulations is not at odds with any obligation imposed by Article 6bis of the Paris Convention (to which both the United States and Cuba are signatories), which provides that:

The countries of the Union undertake . . . to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

(Convention revising the Paris Convention of March 20, 1883, for the Protection of Industrial Property; done at Stockholm July 14, 1967. TIAS 6923, 7727). This provision does not require that the holder of a "famous" mark automatically acquire the trademark rights in the host country. Instead, the host country is simply required to "cancel the registration, and to prohibit the use" of the offending conflicting trademark. As discussed more fully below, this relief, which was ordered by the district court, is compatible with the Regulations. Although

tions including payments to the United States by Cuban nationals and payments to Cuba by U.S. companies and individuals related to the protection of intellectual property."'). Second, this Court has already noted that the "related to" language of the current regulation must be interpreted narrowly to fulfill the purposes of the embargo. *See Havana Club*, 203 F.3d at 123. Third, even under the most broad reading, the acquisition of trademark rights found by the district court does not relate to a trademark registration; as noted in the text, the acquisition through the famous marks doctrine preceded the registration application by five years, bears no relationship to registration, and, indeed, cannot form the basis of a registration application and does not form the basis for Cubatabaco's registration application.

those Regulations prohibited the acquisition of the trademark in 1992, the cancellation of General Cigar's registration and the injunction prohibiting its use of the mark do not themselves either comprise or necessarily rest on any acquisition of property.

4. The special license that the Office of Foreign Assets Control (OFAC) granted Cubatabaco to "pursue . . . judicial remedies with respect to claims to the COHIBA trademark" does not retroactively authorize the acquisition found by the district court. The most obvious reading of this license is that it allows Cubatabaco to seek remedies but does not alter the substantive law for a court to apply in determining what, if any, remedies are appropriate. Accordingly, there is no basis to infer from this license a retroactive authorization for Cubatabaco to acquire trademark rights in 1992.

Cubatabaco argues that because OFAC knew that it would assert the famous marks doctrine in its lawsuit, OFAC must necessarily have authorized the acquisition of rights under that doctrine by authorizing the lawsuit. This argument misapprehends the nature of a special license for litigation. One crucial reason for obtaining such a license is that, without it, the Cuban national cannot pay its lawyers or court fees; such payments would otherwise constitute prohibited transactions. When issuing a special license to pursue litigation, OFAC does not endorse the legal or factual validity of any of the proposed claims. The special license authorizes Cubatabaco to do exactly what it says—*compensate counsel to pursue* claims; it does not authorize Cubatabaco to prevail, if, as here, prevailing would involve recognizing an otherwise prohibited transfer. Again, it is noteworthy that transactions are prohibited under 31 C.F.R. § 515.201(a) & (b) "except as *specifically* authorized by the Secretary

of the Treasury," (emphasis added), and that the special license is clearly not such a "specific" authorization to acquire trademark rights in 1992 through the famous marks doctrine.

5. As we noted in Section 1, above, the cancellation of the trademark registrations and the enjoining of General Cigar from using the mark are not prohibited by the Regulations, but the conclusion that Cubatabaco acquired the U. S. rights to the COHIBA trademark in 1992 is prohibited. Thus the remaining question is whether any of the district court's otherwise permissible orders are rendered invalid because they are dependent upon the invalid finding regarding the acquisition of the United States COHIBA trademark. For the reasons that follow, with the exception of the declaratory judgment that General Cigar infringed Cubatabaco's trademark, it does not appear that the acquisition of a U.S. trademark by Cubatabaco is a necessary predicate for the remedies entered by the district court. Most saliently, the district court's orders cancelling General Cigar's trademark registration and enjoining General Cigar from using the mark, are not inconsistent with the Regulations.

The district court's cancellation order and injunction against use are based on section 43(a)(1)(A) of the Lanham Act:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or

association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .

. . .

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a).

Most commonly, an action under § 43(a)(1)(A) involves a claim "for infringement of rights in a mark acquired by use." *Virgin Enterps., Ltd. v. Nawab*, 335 F.3d 141, 146 (2d Cir. 2003). In such a case, the operative question is whether "the plaintiff's mark is entitled to protection, and . . . whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods. See *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997) (plaintiff prevails by demonstrating that "it has a valid [trade]mark entitled to protection and that the defendant's use of it is likely to cause confusion") (quoting *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 390 (2d Cir. 1995) (citation and internal quotation marks omitted). However, the plain language of section 43(a) contains no requirement that a plaintiff have acquired the United States trademark rights in a particular mark before bringing an action seeking cancellation of a defendant's registration of that mark and an injunction prohibiting the defendant's use of that mark. Thus, in the Supreme Court's words, section 43(a) "goes beyond trademark protection" and prohibits actions "that deceive consumers and impair a producer's goodwill" through "the deceptive and mis-

leading use of marks.' " *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28, 29, 32 (2003) (quoting 15 U.S.C. § 1127). This means that, under appropriate limited circumstances, an action under § 43 (a) "is not limited to the protection of trademark holders [and t]he existence of a trademark is not a necessary prerequisite to a § 43(a) action." *Zyla v. Wadsworth Div. of Thomson Corp.*, 360 F.3d 243,251 (1st Cir. 2004); see *Thompson Med. Co., Inc. v. Pfizer, Inc.*, 753 F.2d 208, 212 (2d Cir. 1985) ("Section 43(a) of the Act . . . protects against false designation of origin and false description or representation, whether or not a registered trademark is involved."); *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 409 (6th Cir. 1963) (while "the primary purpose of the [Lanham] Act was to eliminate deceitful practices in interstate commerce involving the misuse of trademarks . . . along with this it sought to eliminate other forms of misrepresentations which are of the same general character even though they do not involve any use of what can technically be called a trade-mark").

There are a number of factors here which place this case in that limited category of section 43(a) actions in which the plaintiff need not prove that it holds the valid United States trademark in order to obtain the remedies of cancellation of the defendant's registration and injunction against the defendant's use of the mark. Cubatabaco's foreign registrations give it the right to register its COHIBA mark here, absent General Cigar's registration, 15 U.S.C. § 1126(e); 31 C.F.R. § 515.527, so there is no question regarding Cubatabaco's standing to seek cancellation of General Cigar's registration and injunction against its use of the COHIBA mark. See 15 U.S.C. § 1125(a) (allowing a "civil action by any person who believes that he or she is or is likely to be dam-

aged"); *Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999) (for standing, the statute only requires that a person seeking cancellation have a belief that he would suffer some kind of damage, which requires only a "real interest" and a "reasonable" basis for his belief of damage). The district court found that Cubatabaco's COHIBA mark had acquired fame prior to General Cigar's first use, and therefore it is entitled to protection. Thus, while in the normal case the requirement of a valid trademark ensures that the section 43(a) plaintiff has standing and will be harmed by any confusion, under the unique facts here, those elements of a section 43(a) action are met by the fact that Cubatabaco has foreign registrations for its COHIBA mark and that its COHIBA mark was "famous" and had secondary meaning in the United States before General Cigar's first use.

In the circumstances of this case, this conclusion also harmonizes the Act with Article 6bis of the Paris Convention, to which both the United States and Cuba are parties, and which the Lanham Act implements in the United States. As noted above, Article 6bis provides that:

The countries of the Union undertake . . . to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

Convention revising the Paris Convention of March 20, 1883, as revised, For the Protection of Industrial Property; done at Stockholm July 14, 1967. TIAS 6923, 7727. Article 6bis does not, on its face, require that the

foreign holder of the famous mark acquire a trademark in the host country before the host country will grant cancellation and prohibit the use of the specified conflicting mark. Given that the text of the Lanham Act contains no express or categorical requirement of prior acquisition of the trademark, and that one of the purposes of the Act is "[t]o carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled," S. Rep. No. 79-1333 (1946), reprinted in 1946 U.S. Code & Cong. Serv. 1274,1276; *see Havana Club.*, 203 F.3d at 128, such a requirement should not be inferred in the unique circumstances presented by this case.

The district court's factual findings here, if affirmed by this Court, would support the conclusion that Cubatabaco is entitled to prevail in its §43(a) action without having previously acquired the United States COHIBA trademark. By November 1992, according to the district court, the Cuban COHIBA mark "achieved a level of fame consistent with secondary meaning" in the United States, SPA-77, and thus had a "known reputation" in the relevant United States market (premium cigar smokers), SPA-73. In the usual case, the user of a designation that had acquired such a fame would have also acquired the trademark. Here, as noted above, the Regulations prohibited such an acquisition. But the Regulations would not prevent the COHIBA designation from having trademark significance, and to the extent that significance rendered General Cigar's use of the COHIBA mark "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of [General Cigar] with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by [Cubatabaco]," 15 U.S.C.

§ 1125(a)(1)(A), Cubatabaco's resulting § 43(a) cause of action is unaffected by the Regulations.

Under these circumstances, Cubatabaco is entitled to relief under § 43(a) upon a showing "(1) that the mark is distinctive as to the source of the good, and (2) that there is a likelihood of confusion between its good and the defendant's." *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 115 (2d Cir. 2001). The district court has made these findings. Specifically, the district court found that in November 1992, the Cuban COHIBA mark had "achieved a level of fame consistent with secondary meaning [and was] therefore famous within the meaning of the famous marks doctrine" in the United States, SPA-77, while any goodwill from General Cigar's use of the mark in the 1980s had "long been entirely dissipated," SPA-52. In other words, the district court found that in November 1992, United States consumers associated the COHIBA mark with Cuba or a Cuban manufacturer, not with General Cigar. Indeed, the district court explicitly found that "there is a likelihood of confusion between the Cuban COHIBA and the General Cigar COHIBA," SPA-83, based in part on "survey evidence as well as anecdotal evidence of actual confusion between the Cuban COHIBA and the General Cigar COHIBA, SPA-80. See SPA-77 to -83 (addressing at length all eight of the *Polaroid Corp.* factors for determining likelihood of confusion). Because the district court's orders (with the exceptions noted in Section 1, above), including its orders cancelling General Cigar's COHIBA registration and enjoining its use of the mark, are based on a finding of liability under § 43(a) of the Lanham Act that is not dependent upon Cubatabaco's prior acquisition of the

COHIBA trademark, those orders are not prohibited under the Cuban Assets Control Regulations.⁸

CONCLUSION

For the foregoing reasons, the Cuban Assets Control Regulations prohibit Cubatabaco from acquiring the rights to the COHIBA trademark in the United States in 1992 by operation of the famous marks doctrine. Nevertheless, the Regulations do not prohibit the cancellation of General Cigar's mark and the district court's order enjoining General Cigar from using the COHIBA mark.

Respectfully Submitted,

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⁸ Cubatabaco has a pending application to register the COHIBA trademark with the USPTO. Without commenting on the merits of that application, we note that 31 C.F.R. § 515.527 plainly authorizes Cuban entities including Cubatabaco to obtain trademark rights by means of a valid registration with the USPTO. In that application in urging cancellation of General Cigar's registration, Cubatabaco relies on section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), which forbids the registration of "deceptive" matter or matter that may "falsely suggest a connection with persons, . . . institutions, . . . or national symbols." See *University of Notre Dame Du Lac v. J.C. Gourmet Food Imports Co.*, 703 F.2d 1372, 1377 (Fed. Cir. 1983); *Buffet v. Chi-Chi's, Inc.*, 226 U.S.P.Q. 428,429 (TTAB 1985).

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

97 Civ. 8399 (RWS)

EMPRESA CUBANA DEL TABACO,
d.b.a. CUBATABACO,

Plaintiff,

—v.—

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

ORDER, JUDGMENT AND
PERMANENT INJUNCTION

Sweet, D.J.,

This action having been commenced on November 12, 1997, by the filing by plaintiff Empresa Cubana Del Tabaco, d.b.a Cubatabaco ("Cubatabaco") of a complaint seeking injunctive and other relief against defendants Culbro Corporation (merged into and survived by General Cigar Holdings, Inc.) and General Cigar Co., Inc. (together "General Cigar") with respect to, *inter alia*, Cubatabaco's COHIBA trademark;

WHEREAS General Cigar filed an answer and counterclaim seeking a judgment declaring its right to the continued use and registration in the United States of the mark COHIBA for cigars free of any claim of or interference by plaintiff and for other relief, dated December 5, 1997;

WHEREAS plaintiff filed a reply to said counterclaim, dated March 29, 2000, and General Cigar filed an amended eighth affirmative defense dated March 26, 2003, pursuant to an order dated March 12, 2003;

WHEREAS the Court entered an order dated March 6, 1998, dismissing plaintiff's claims against Alfred Dunhill (North America) Ltd., as such claims had been resolved;

WHEREAS the Court dismissed with prejudice certain of plaintiff's claims by stipulation of the parties and by order dated December 5, 2000;

WHEREAS a trial on the issue of monetary relief claimed by plaintiff against defendants was bifurcated from a trial on liability on the claims raised in Cubatabaco's complaint and General Cigar's counterclaim by stipulation of the parties and order dated March 31, 2000, and the joint pretrial order;

WHEREAS the Court granted Cubatabaco's motion to strike General Cigar's jury demand by opinion and order dated December 15, 2000;

WHEREAS the Court entered an opinion and order dated June 26, 2002, granting in part and denying in part the parties' cross-motions for summary judgment;

WHEREAS a trial on the remaining issues, save for those bifurcated by the March 31, 2000 stipulation and order and the joint pretrial order, was held before this

Court on various dates between May 27, 2003 and June 23, 2003;

WHEREAS post-trial submissions were filed, with post-trial oral argument heard on October 9, 2003;

WHEREAS the Court issued an opinion and order dated March 26, 2004, disposing of the claims, counterclaims and defenses not previously adjudicated, and holding that because the Court has made a finding that General Cigar is liable on plaintiff's claim of trademark infringement, a trial on the issue of monetary relief is warranted;

WHEREAS the parties have separately moved the Court to enter judgment on issues decided to date pursuant to Federal Rule of Civil Procedure 54(b);

WHEREAS General Cigar will have an appeal as of right from this Court's entry of a permanent injunction, pursuant to 28 U.S.C. § 1292(a)(1) and such appeal will require the Second Circuit to review all of this Court's decisions on liability issues that necessarily underlay the grant of injunctive relief, including Cubatabaco's trademark infringement claim and General Cigar's affirmative defenses;

WHEREAS other claims by Cubatabaco have been dismissed with prejudice by the Court;

WHEREAS it is in the interest of judicial efficiency for all claims and defenses underlying the Court's grant of an injunction to be decided in one appeal;

AND UPON ALL THE PRIOR PROCEEDINGS HAD HEREIN;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Plaintiff have judgment against all defendants on its claim for trademark infringement of plaintiff's COHIBA work mark pursuant to 15 U.S.C. § 1125(a).

2. Plaintiff have judgment against all defendants on its claim that prior to November 1992, General Cigar had abandoned any rights to the COHIBA word mark that it may have held prior to that date.

3. General Cigar's trademark registrations in the United States Patent and Trademark Office for the COHIBA word mark, Registration No. 1,898,273, and Registration No. 1,147,309, are hereby canceled in whole. Pursuant to 15 U.S.C. §§ 1064, 1119, this Court herewith certified the instant order, judgment and permanent injunction to the Director of the Patent and Trademark Office, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled hereby.

4. Culbro Corporation, General Cigar Holdings, Inc., and General Cigar Co., Inc., their affiliates, officers, agents, servants, employees, and attorneys, as well as those in active concert or participation with Culbro Corporation, General Cigar Holdings, Inc., and General Cigar Co., Inc. who receive actual notice of this judgment by personal service or otherwise, are hereby permanently enjoined from using the COHIBA word mark on or in connection with any product or service or in the manufacture, exportation, sale, offering for sale, distribution, advertising, promotion, labeling, or packaging of any produce or service.

5. Culbro Corporation, General Cigar Holdings, Inc., and General Cigar Co., Inc., their affiliates, officers, agents, servants, employees, and attorneys, as well as those in active concert or participation with General

Cigar who receive actual notice of this judgment by personal service or otherwise, shall deliver up to Cubatabaco, or its designated attorneys in the United States, for destruction or other disposition, within thirty (30) days of entry of this judgment, any and all existing merchandise, packaging, package inserts, labels, signs, prints, wrappers, receptacles, advertising, plates, molds, matrices and other means of reproduction or of making same, or other materials, now or hereafter in their possession, custody or control, which bear the COHIBA word mark and any reproduction, counterfeit, copy or colorable imitation thereof. This order shall not apply to any samples of merchandise or material bearing the COHIBA word mark in the possession, custody, or control of defendants' attorneys for their prosecution of this action.

6. Nothing in this order shall apply to any of defendants' material or merchandise that does not include the COHIBA word mark, including material or merchandise from which the COHIBA label has been removed, subject to the condition that defendants are prohibited from identifying, advertising, promoting, selling, or otherwise indicating to any of its distributors, retailers or the general public that any such material or merchandise is in any way related to material or merchandise previously sold by defendants under the COHIBA word mark, and that defendants are further ordered that they shall expressly advise their distributors and retailers that they should not identify any of defendants' products as in any way related to material or merchandise previously sold by defendants under the COHIBA word mark.

7. Defendants shall recall from their retail customers and distributors all products which defendants have distributed or sold which bear the COHIBA word mark, and

shall inform their retail customers and distributors that they cannot sell defendant's COHIBA labeled products in the United States; nothing herein shall require a retailer or distributor to recall or to modify any catalogue that has been printed as of the date of entry of this order.

8. A trial on the issue of monetary relief to plaintiff shall be held at a time to be set by the Court following any appeal of this judgment, if necessary.

9. Any application by plaintiff for an award of reasonable attorneys' fees pursuant to 15 U.S.C. § 1117 and Fed.R.Civ.P. 54(d) shall be made at a time to be set by the Court following any appeal of this judgment.

10. Except for plaintiff's claims as to which relief has been granted herein, plaintiff's claims for relief are dismissed with prejudice.

11. Defendants' equitable and other affirmative defenses are dismissed with prejudice.

12. There is no reason to delay the appeal of plaintiff's claims for relief and defendants' equitable and other affirmative defenses that have been dismissed with prejudice. The latter relate to the underlying merits of the injunction and would have to be addressed in any appeal of the injunction, and the former could be raised by plaintiff as an alternative basis for affirming the injunction. None of the issues to be raised on appeal, which all related to the validity and enforceability of a trademark, are the same or closely related to the remaining claims concerning monetary relief. A trial on monetary relief would not occur for at least several months and may require additional discovery (including expert discovery). In the interest of judicial efficiency and to avoid duplicative and piecemeal litigation about liabil-

ity, and to avoid any ambiguity about the same, final judgment pursuant to Federal Rule of Civil Procedure 54(b) shall be entered on all of the claims and defenses that have been dismissed to date.

13. Any application by plaintiff for costs pursuant to 28 U.S.C. § 1920, Fed.R.Civ.P. 54(d)(1), and 15 U.S.C. § 1117(a) shall be made at a time to be set by the Court following any appeal of this judgment.

14. Paragraphs 3-7 herein are stayed for fifteen (15) days from entry of this order, judgment and permanent injunction. While the stay is in effect, defendants shall maintain all records, including electronic records, relating to their sales of merchandise bearing the COHIBA word mark, including any of the costs and profits associated with manufacturing and selling such merchandise, and such information shall be broken out to show costs and profits for COHIBA merchandise.

It is so ordered.

ROBERT W. SWEET
ROBERT W. SWEET
U.S.D.J.

New York, New York
April 29, 2004

TRADING WITH THE ENEMY ACT

Prior to its amendment in 1977, Section 5(b) of the Trading With the Enemy Act, 50 U.S.C. App. § 5(b), provided:

(b)(1) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses, or otherwise—

(A) investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold or silver coin or bullion, currency or securities, and

(B) investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest.

by any person, or with respect to any property, subject to the jurisdiction of the United States; and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms, directed by the President, in such agency or person as may be designated from time to time by the President, and upon such terms and conditions as the President may prescribe such interest or prop-

erty shall be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the United States, and such designated agency or person may perform any and all acts incident to the accomplishment or furtherance of these purposes; and the President shall, in the manner hereinabove provided, require any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, complete information relative to any act or transaction referred to in this subdivision either before, during, or after the completion thereof, or relative to any interest in foreign property, or relative to any property in which any foreign country or any national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this subdivision, and in any case in which a report could be required, the President may, in the manner hereinabove provided, require the production, or if necessary to the national security or defense, the seizure, of any books of account, records, contracts, letters, memoranda, or other papers, in the custody or control of such person; and the President may, in the manner hereinabove provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision.

* * *

(3) As used in this subdivision the term "United States" means the United States and any place subject to the jurisdiction thereof: Provided, however, That the foregoing shall not be construed as a limitation upon the power of the President, which is hereby conferred to prescribe from time to time, definitions, not inconsistent with the purposes of

this subdivision, for any or all of the terms used in this subdivision. As used in this subdivision the term "person" means an individual, partnership, association, or corporation.

Section 101 of Pub. L. No. 95-223, 91 Stat. 1625 (1977), provides:

(a) Section 5(b)(1) of the Trading With the Enemy Act // 50 USC app. 5. // is amended by striking out "or during any other period of national emergency declared by the President" in the text preceding subparagraph (A).

(b) Notwithstanding the amendment made by subsection (a) the authorities conferred upon the President by section 5(b) of the Trading With the Enemy Act, which were being exercised with respect to a country on July 1, 1977, as a result of a national emergency declared by the President before such date, may continue to be exercised with respect to such country, except that, unless extended, the exercise of such authorities shall terminate (subject to the savings provisions of the second sentence of section 101(a) of the National Emergencies Act) at the end of the two-year period beginning on the date of enactment of the National Emergencies Act [Sept. 14, 1976]. The President may extend the exercise of such authorities for one-year periods upon a determination for each such extension that the exercise of such authorities with respect to such country for another year is in the national interest of the United States.

* * *

**CUBAN ASSETS CONTROL REGULATIONS,
[31 C.F.R. Part 515]**

Subpart B—Prohibitions

§ 515.201 Transactions involving designated foreign countries or their nationals; effective date.

* * *

(b) All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by means of regulations, rulings, instructions, licenses, or otherwise, if such transactions involve property in which any foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect:

(1) All dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States; and

(2) All transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States.

(c) Any transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions set forth in paragraph (a) or (b) of this section is hereby prohibited.

* * *

§ 515.203 Effect of transfers violating the provisions of this part.

(a) Any transfer after the "effective date" which is in violation of any provision of this part or of any regula-

tion, ruling, instruction, license, or other direction or authorization thereunder and involves any property in which a designated national has or has had an interest since such "effective date" is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property.

* * *

Subpart C—General Definitions

* * *

§ 515.309 Transactions.

The phrase *transactions which involve property in which a designated foreign country, or any national thereof, has any interest of any nature whatsoever, direct or indirect, includes*, but not by way of limitation:

- (a) Any payment or transfer to such designated foreign country or national thereof,
- (b) Any export or withdrawal from the United States to such designated foreign country, and
- (c) Any transfer of credit, or payment of an obligation, expressed in terms of the currency of such designated foreign country.

§ 515.310 Transfer.

The term "transfer" shall mean any actual or purported act or transaction, whether or not evidenced by writing, and whether or not done or preformed within the United States, the purpose, intent, or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property and without limitation upon

the foregoing shall include the making, execution, or delivery of any assignment, power, conveyance, check, declaration, deed, deed of trust, power of attorney, power of appointment, bill of sale, mortgage, receipt, agreement, contract, certificate, gift, sale, affidavit, or statement; the appointment of any agent, trustee, or other fiduciary; the creation or transfer of any lien; the issuance, docketing, filing, or the levy of or under any judgment, decree, attachment, execution, or other judicial or administrative process or order, or the service of any garnishment; the acquisition of any interest of any nature whatsoever by reason of a judgment or decree of any foreign country; the fulfillment of any condition, or the exercise of any power of appointment, power of attorney, or other power.

§ 515.311 Property; property interests.

(a) Except as defined in § 515.203(f) for the purposes of that section the terms *property* and *property interest* or *property interests* shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness obligations, notes, debentures, stocks, bonds, coupons, and other financial securities, bankers' acceptances, mortgages, pledges, liens or other rights in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, powers of attorney, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, deeds of trust, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks, copyrights, contracts or licenses affecting or involving patents, trademarks or

copyrights, insurance policies, safe deposit boxes and their contents, annuities, pooling agreements, contracts of any nature whatsoever, services, and any other property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.

(b) As used in § 515.208, the term *property* means any property (including patents, copyrights, trademarks, and any other form of intellectual property), whether real, personal, or mixed, and any present, future, or contingent right, security, or other interest therein, including any leasehold interest.

§ 515.312 Interest.

The term *interest* when used with respect to property shall mean an interest of any nature whatsoever, direct or indirect.

* * *

Subpart D—Interpretations

* * *

Subpart E—Licenses, Authorizations, and Statements of Licensing Policy

* * *

§ 515.527 Certain transactions with respect to United States intellectual property.

(a)(1) Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.

(2) No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section with respect

to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated, as that term is defined in § 515.336, unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(b) This section authorizes the payment from blocked accounts or otherwise of fees currently due to the United States Government in connection with any transaction authorized in paragraph (a) of this section.

(c) This section further authorizes the payment from blocked accounts or otherwise of the reasonable and customary fees and charges currently due to attorneys or representatives within the United States in connection with the transactions authorized in paragraph (a) of this section.

§ 515.528 Certain transactions with respect to blocked foreign intellectual property.

(a) The following transactions by any person who is not a designated national are hereby authorized:

(1) The filing and prosecution of any application for a blocked foreign patent, trademark or copyright, or for the renewal thereof;

(2) The receipt of any blocked foreign patent, trademark or copyright;

(3) The filing and prosecution of opposition or infringement proceedings with respect to any blocked foreign patent, trademark, or copyright, and the prosecution of a defense to any such proceedings;

(4) The payment of fees currently due to the government of any foreign country, either directly or through an attorney or representative, in connection with any of the transactions authorized by paragraphs (a)(1), (2), and (3) of this section or for the maintenance of any blocked foreign patent, trademark or copyright; and

(5) The payment of reasonable and customary fees currently due to attorneys or representatives in any foreign country incurred in connection with any of the transactions authorized by paragraphs (a)(1), (2), (3), or (4) of this section.

(b) Payments effected pursuant to the terms of paragraphs (a)(4) and (5) of this section may not be made from any blocked account.

(c) As used in this section the term *blocked foreign patent, trademark, or copyright* shall mean any patent, petty patent, design patent, trademark or copyright issued by any foreign country in which a designated foreign country or national thereof has an interest, including any patent, petty patent, design patent, trademark, or copyright issued by a designated foreign country.

[LETTERHEAD OF DEPARTMENT OF THE TREASURY]

AUG 19 1996

FAC Nos. C-152409, C-152468

Dear Mr. Krinsky:

This is in response to your letters of July 3 and July 22, 1996, addressed to Serena Moe, Deputy Chief Counsel of the Office of Foreign Assets Control. In your letters you ask two questions concerning the authorization contained in § 515.527 of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (the "Regulations"). First, you ask whether this section authorizes Cuba to file an opposition to the registration of a new trademark on the grounds that the new trademark interferes with Cuba's right in its registered trademark based on likely consumer confusion. Second, you ask whether Cuba may bring a petition to cancel the prior registration of a trademark related to its efforts to register a trademark.

The authorization contained in § 515.527 and the parallel provisions of § 515.528 are intended to provide reciprocal protection for the intellectual property of Cuba and the United States. Both of the processes you describe in your correspondence concern available legal means to protect trademarks in the United States. For this reason, the authorization contained in § 515.527 may be relied on to file an opposition to the registration of a new trademark or to petition to cancel a prior registration of a trademark in which Cuba or a Cuban national general license has an interest.

If you have any further questions concerning this matter, please call me (202/622-2510) or Ms. Moe (202/622-2410).

Sincerely,

[Signature]

R. Richard Newcomb

Director

Office of Foreign Assets Control

Michael Krinsky, Esq.

Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C.

740 Broadway at Astor Place

New York, New York 10003-9518

**PARIS CONVENTION FOR THE PROTECTION
OF INDUSTRIAL PROPERTY**

**[21 U.S.T. 1583 (1970), ratified as to Articles 1-12,
24 U.S.T. 2140 (1973)]**

Article 2

**[National Treatment for Nationals of
Countries of the Union]**

(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

(3) The provisions of the laws of each of the countries of the Union relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.

* * *

Article 6bis
[Marks: Well-Known Marks]

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

* * *

Article 25
**[Implementation of the Convention on
the Domestic Level]**

(1) Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.

(2) It is understood that, at the time a country deposits its instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.

Article 26 **[Denunciation]**

(1) This Convention shall remain in force without limitation as to time.

(2) Any country may denounce this Act by notification addressed to the Director General. Such denunciation shall constitute also denunciation of all earlier Acts and shall affect only the country making it, the Convention remaining in full force and effect as regards the other countries of the Union.

(3) Denunciation shall take effect one year after the day on which the Director General has received the notification.

(4) The right of denunciation provided by this Article shall not be exercised by any country before the expiration of five years from the date upon which it becomes a member of the Union.

**AGREEMENT ON TRADE-RELATED ASPECTS
OF INTELLECTUAL PROPERTY RIGHTS**
[Pub. L. No. 103-465, §101(d)(15), 108 Stat. 4809
(1994), adopting TRIPs, H.R. Doc. 103-316, Vol. I,
Annex IC (1994)]

Article 2

Intellectual Property Conventions

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).
2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

Article 3

National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection³ of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits.

³ For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

*Article 4**Most-Favoured-Nation Treatment*

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.

* * *

**GENERAL INTER-AMERICAN CONVENTION
FOR TRADEMARK AND
COMMERCIAL PROTECTION
[46 Stat. 2907 (1930)]**

Chapter 2**Trade Mark Protection**

* * *

Article 7

Any owner of mark protected in one of the Contracting States in accordance with its domestic law, who may know that some other person is using or applying to register or deposit an interfering mark in any other of the Contracting States, shall have the right to oppose such use, registration or deposit and shall have the right to employ all legal means, procedure or recourse provided in the country in which such interfering mark is being used or where its registration or deposit is being sought, and upon proof that the person who is using such mark, or applying to register or deposit it, had knowledge of the existence and continuous use in any of the Contracting States of the mark on which opposition is based upon goods of the same class the opposer may claim for

himself the preferential right to use such mark in the country where the opposition is made or priority to register or deposit it in such country, upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

Article 8

When the owner of a mark seeks the registration or deposit of the mark in a Contracting States other than that of origin of the mark and such registration or deposit is refused because of the previous registration or deposit of an interfering mark, he shall have the right to apply for and obtain the cancellation or annulment of the interfering mark upon proving, in accordance with the legal procedure of the country in which cancellation is sought, the stipulations in Paragraph (a) and those of either Paragraph (b) or (c) below:

- (a) That he enjoyed legal protection for his mark in another of the Contracting States prior to the date of the application for the registration or deposit which he seeks to cancel; and
- (b) That the claimant of the interfering mark, the cancellation of which is sought, had knowledge of the use, employment, registration or deposit in any of the Contracting States of the mark for the specific goods to which said interfering mark is applied, prior to adoption and use thereof or prior to the filing of the application or deposit of the mark which is sought to be canceled; or
- (c) that the owner of the mark who seeks cancellation based on a prior right to the ownership and use of such mark, has traded or trades with or in the country in which cancellation is sought, and that goods

designated by this mark have circulated and circulate in said country from a date prior to the filing of the application for registration or deposit for the mark, the cancellation which is claimed, or prior to the adoption and use of the same.

LANHAM ACT

15 U.S.C. § 1125 [Section 43] False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

* * *

15 U.S.C. § 1126 [Section 44] International conventions**(a) Register of marks communicated by international bureaus**

The Director shall keep a register of all marks communicated to him by the international bureaus provided for by the conventions for the protection of industrial property, trademarks, trade and commercial names, and the repression of unfair competition to which the United States is or may become a party, and upon the payment of the fees required by such conventions and the fees required in this chapter may place the marks so communicated upon such register. This register shall show a facsimile of the mark or trade or commercial name; the name, citizenship, and address of the registrant; the number, date, and place of the first registration of the mark, including the dates on which application for such registration was filed and granted and the term of such registration; a list of goods or services to which the mark is applied as shown by the registration in the country of origin, and such other data as may be useful concerning the mark. This register shall be a continuation of the register provided in section 1(a) of the Act of March 19, 1920.

(b) Benefits of section to persons whose country of origin is party to convention or treaty

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent

necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

(c) Prior registration in country of origin; country of origin defined

No registration of a mark in the United States by a person described in subsection (b) of this section shall be granted until such mark has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

For the purposes of this section, the country of origin of the applicant is the country in which he has a bona fide and effective industrial or commercial establishment, or if he has not such an establishment the country in which he is domiciled, or if he has not a domicile in any of the countries described in subsection (b) of this section, the country of which he is a national.

(d) Right of priority

An application for registration of a mark under section 1051, 1053, 1054, or 1091 of this title or under subsection (e) of this section, filed by a person described in subsection (b) of this section who has previously duly filed an application for registration of the same mark in one of the countries described in subsection (b) of this section shall be accorded the same force and effect as would be accorded to the same application if filed in the United States on the same date on which the application was first filed in such foreign country: *Provided, That—*

- (1) the application in the United States is filed within six months from the date on which the application was first filed in the foreign country;

(2) the application conforms as nearly as practicable to the requirements of this chapter, including a statement that the applicant has a bona fide intention to use the mark in commerce;

(3) the rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this subsection;

(4) nothing in this subsection shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark was registered in this country unless the registration is based on use in commerce.

In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequent regularly filed application in the same foreign country, instead of the first filed foreign application: *Provided*, That any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without having been laid open to public inspection and without leaving any rights outstanding, and has not served, nor thereafter shall serve, as a basis for claiming a right of priority.

(e) Registration on principal or supplemental register; copy of foreign registration

A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise on the supplemental register in this chapter provided. Such applicant shall submit, within such time period as may be prescribed by the

Director, a true copy, a photocopy, a certification, or a certified copy of the registration in the country of origin of the applicant. The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.

(f) Domestic registration independent of foreign registration

The registration of a mark under the provisions of subsections (c), (d), and (e) of this section by a person described in subsection (b) of this section shall be independent of the registration in the country of origin and the duration, validity, or transfer in the United States of such registration shall be governed by the provisions of this chapter.

(g) Trade or commercial names of foreign nationals protected without registration

Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

(h) Protection of foreign nationals against unfair competition

Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

(i) Citizens or residents of United States entitled to benefits of section

Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section.

* * *

15 U.S.C. § 1127 [Section 45] Construction and definitions; intent of chapter

* * *

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

**CUBAN LIBERTY AND DEMOCRATIC
SOLIDARITY (LIBERTAD) ACT OF 1996**
[Pub. L. No. 104-114, Section 102(h),
22 U.S.C. § 6032]

§ 6032. Enforcement of the economic embargo of Cuba

* * *

(a) Policy

(h) Codification of economic embargo

The economic embargo of Cuba, as in effect on March 1, 1996, including all restrictions under part 515 of title 31, Code of Federal Regulations, shall be in effect on March 12, 1996, and shall remain in effect, subject to section 6064 of this title.

File No. 495/95

CASSATION ADMVA

[illegible]

DECISION NUMBER: EIGHT HUNDRED THIRTY
THREE (833)

IN THE CITY OF HAVANA, OCTOBER 31, 1995.

JUDGES

ANDRES R. BOLANOS GASSO
NANCY MORALES GONZALEZ
MARIA ELENA FERNANDEZ GOMES

REVIEWED by the
Civil and Adminis-
trative Chamber of
the Popular Supreme
Tribunal, the appeal
of cassation in the
administrative

[seal]

matter presented by the attorney SARA M. RODRIGUEZ, in name and representation of Hard Rock Café Licensing Corporation, a corporation domiciled at 216 West 57th Street, New York United States of America, against decision number 684 of December 18, 1992, issued by the Civil and Administrative Chamber of the Popular Provincial Tribunal of the City of Havana, in file number 550 of 1992, administrative process presented by the above mentioned appellant against Resolution number 678 of June 19, 1992 issued by the Director of the national Office of Inventions, Information and Trade-marks (ONITEN) that rejected the petition for the cancellation of the registration of the mark Hard Rock Café in favour of REGINA HILDE ZUSANA, presented by ADA ACOSTA MARTINEZ, in name and presentation of Hard Rock Café Licensing Corporation.

WHEREAS: that the cited Civil and Administrative Chamber of the Popular Provincial Tribunal of the City

of Havana, issued the appealed decision in which the dispositive part states: "We accept the opposition that the respondent articulated that we declare the appeal unfounded and we confirm Resolution number 678 of ONIITEM of June 19, 1992, without imposition of costs".

WHEREAS: that against said decision the appellant presented the appeal of cassation within the legal term, the Tribunal bringing it before this Chamber, with prior notice to the parties, which admitted the appeal; it being shown that it was presented in form and time as well as the Attorney SISSI UBALS CUZA in name and representation of the National Office of Inventions, Technical Information and Marks (ONIITEM).

WHEREAS: that the legal recourse consists of two causes of which the second is related given the form in which it is resolved, pursuant to subsection nine of article 630 of the Law of Civil, Administrative and Labor Procedure, charging the violation of articles 43 and 281 to 300, all of the cited Law of Procedure, in the sense that: "the Tribunal in its decision states that "the facts alleged by the appellant were not fully proved," however, in our opinion what occurred in the present case was an erroneous appreciation of the proofs presented that proved: - that the registration, the cancellation of which is requested (issued in 1990) is exactly the same as the trademark owned by my client (registered since 1972 abroad) and was issued to cover the same products, which does not only deal with a design that is somewhat similar but rather an exact copy of the mark of my client; that the mark of my client has 183 registrations in 72 countries that cover all of the continents, including Holland (Benelux), country of the owner of the title to the registration we challenge and in which my client's mark has

been recognized since 1974. Consequently, the owner of the registration of this mark in Cuba "Regina Hilde Zusana" does not possess ownership of the mark in the mentioned 72 countries nor even in her country of origin; nor any of the 72 new applications for registration were presented which are being processed in name of my client in 45 countries and in 14 of the countries in which they own more than 31 establishments. That in the files of ONIITEM are more than 80 press articles that were attached to the petition for cancellation of the registration that were filed in a timely way and which we cite in the complaint to show that this mark had its origins with a Company that for more than 20 years created establishments in which it offers food and drink, with special characteristics that tie it to the world of music and that from the beginning achieved a great acceptance, even that already it is considered internationally among the biggest commercial businesses, comparable to the chains McDonald's and Kentucky Fried Chicken, all of which documentation is also referred to by the respondent in its reply brief, for which the decision below should be voided".

WHEREAS: that not having requested a hearing, the record was passed to the Tribunal to issue its decision.

THE JUDGE NANCY MORALES GONZALEZ BEING THE JUDGE IN CHARGE.

CONSIDERING: that according to that shown as proved by the certification issued by the National Office of Inventions, Technical Information and Marks (ONIITEM) that was attached as documentary proof by the challenging party, the mark Hard Rock Café registered by the third party is the same name of the challenger, not only similar in name but also in the design which dis-

tinguishes it, a subject not debated in the procedure by the contrary party and consequently accepted as true by the party who seeks denial of the appeal, formulated by the appellant to promote the process that the extension to Cuba of the International Registration number 5,6,1,7,0,6 I favour of REGINA HILDE ZUSANN, domiciled in Amsterdam, Low Countries, should be cancelled; that the mark of the company Hard Rock Café Licensing Corporation with its headquarters in New York, United States of America, lacks notoriety in our country, the same is adduced of the products protected by that Mark; that if it has obtained a level of promotion in Cuba, it has been extremely low, for which reason it does not enjoy the necessary popularity or reputation to be considered a commonly known mark or notorious, a finding that does not correspond with the abundant documentary proof provided by the appellant in the process in which they proved the foreign registrations of its mark Hard Rock Café in its different modalities in 72 countries with 183 registrations in the same, including the country of origin of the owner for the mark registered by the respondent in which it was registered in 1974, as well as many other countries where it has been applied for and in multiple press articles that show the publicity of the mark in question, and although it is clear that given the special characteristics that up to now have operated in our country, fundamentally those imposed by the blockade that we are subjected to with its consequent commercial limitations, the mark Hard Rock Café of the appellant does not enjoy great popularity and notoriety, that documentation in some way authorizes its extension, above all when it has been demonstrated that in accordance with article 244 of the Law of Civil, Administrative and Labor Procedure obligates it do so, in its condition of being the acting party in the procedure, and

thus the appellant is correct that the Tribunal did not appreciate the correct value of the above mentioned documentary proofs, arguing that the same did not fulfil the cited provision, error that violates articles 43 and 297 of the Law of Civil, Administrative and Labor Procedure that extended to the issued opinion, reasons for which the second objective of the appeal, covered in the Ninth Section of article 630 of the cited body of law, must prosper and consequently, with it being necessary to examine the other that the appellant notes, the challenged decision must be voided and in its place another issued that corrects the error committed by the lower Tribunal.

WE DECIDE: we declare that the appeal of cassation accepted and as a consequence we annul the appealed decision, without imposition of costs.

NOTIFY: this decision and that which follows is issued with remand of the actions brought to the court, issuing to that effect whatever orders and certified copies that may be necessary; the acknowledgement of receipt to be incorporated in the file and filed with the previous pertinent annotations.

THUS WE PRONOUNCE, ORDER AND REQUIRE.

ANDRES R. BOLANOS CASSO, NANCY MORALES GONZALES, MARIA E. FERNANDEZ. *CLARA REYES.

SECOND DECISION.

IN THE CITY OF HAVANA, OCTUBRE 31, 1995.

JUDGES

ANDRES R. BOLANOS GASSO
 NANCY MORALES GONZALEZ
 MARIA ELENA FERNANDEZ GOMES

REVIEWED by the
 Civil and Adminis-
 trative Chamber of
 the Popular Supreme
 Tribunal, the file of
 the administrative

[seal]

matter presented by the attorney SARA M. DIAZ RODRIGUEZ, in name and representation of HARD ROCK CAFÉ LICENSING CORPORATION domiciled at the address set forth in the decision of cassation, against Resolution number 678 of June 19, 1992, issued by the Director of the National Office of Inventions, Technical Information and Marks (ONIITEM), requesting the revocation of the referenced Resolution declared in that first decision; which remedy is left to be issued since it was voided and nullified by the procedure of cassation in the same decision of the Chamber of the Civil and Administrative Law of the Popular Provincial Tribunal of the City of Havana.

CONSIDERING reproduced here the results of the decision of cassation.

WHEREAS: the Convention of the Paris Union of March 20, 1883, of which our country and that of the nationality of the appellant are signatories, protects industrial property in all of the member countries of the Union, and said protection includes, among other things, manufacturing or commercial marks, commercial names as well as the suppression of unfair competition;

Establishes, in addition to enjoying the advantages that the respective laws grant to their nationals, without prejudice of the rights especially foreseen by the referenced convention one of which is established in its article 6 bis one regarding the obligation of said countries, *sua sponte*, if the legislation of the country permits it, or at the instance of the interested party, to reject or invalidate the registration and prohibit the use of a trademark that consists of the imitation or translation of a mark that could cause confusion with a mark that the competent authority of the country of registration or of use considers to be notoriously known there as being the mark of a person who may benefit of the Convention and used for identical or similar products or when the essential part of the mark consists of a reproduction of said notoriously known mark or an imitation capable of causing confusion with it.

WHEREAS: Decree Law number 68 of May 14, 1983 that regulates marks in our country establishes that foreigners enjoy the rights and obligations that are established in the international conventions to which the Republic of Cuba is a party and thus taking into account that, the notoriety of the mark **HARD ROCK CAFÉ** and design of which the appellant is the owner is demonstrated, in accord with that explained in the whereas clauses of the cassation decision, the result is obvious that the National Office of Inventions, Technical Information and Marks must invalidate the Registration issued for the mark of **REGINA HILDE ZUSANN**, domiciled in Amsterdam, Low Countries, in accordance with that required by the Convention of the Union of Paris to which our country and that of the acting party are signatories.

WE DECIDE: We declare **ACCEPTED** the appeal presented by **HARD ROCK CAFÉ LICENSING CORPORATION**,

domiciled in New York, United States of America, against Resolution number 684 of June 19, 1992 issued by the Director of the National Office of Inventions, Technical Information and Marks (ONIITEM), which is revoked in all its parts and it is stipulated that said Administration declare the invalidation of the Registration of the mark HARD ROCK CAFÉ issued in favour of REGINA HILDE ZUSANN, returning the documents to the same in order that within a period of 30 days it shall issue a new Resolution in accord with that set forth in this decision. Without imposition of costs.

THUS WE PRONOUNCE, ORDER AND SIGN.

ANDRES R. BOLANOS CASSO, NANCY MORALES GONZALES, MARIA E. FERNANDEZ. *CLARA REYES.

(illegible)

[signature]

[seal]

DECLARATION OF TRANSLATION

Debra Evenson declares under penalty of perjury under the laws of the United States that the following is true and correct:

1. I am a lawyer, licensed to practice law in the State of New York, and am of counsel to the law firm Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C. I was professor of law at DePaul University School of Law from 1980-1993 where I taught comparative international law. I have also published numerous scholarly books and articles on the subject of the Cuban legal system.

2. I am fluent in the Spanish language.

3. I prepared the attached translation of the Decision No. 835 of October 31, 1995 of the Civil and Administrative Chamber of the Popular Supreme Tribunal of the Republic of Cuba, from the original Spanish into English. I attach hereto a copy of the original documents in Spanish and the translation thereof which, to the best of my knowledge, is a true and accurate translation into English.

Signed this 28th day of July of 2004

DEBRA EVENSON
DEBRA EVENSON

No. 2

Supreme Court, U.S.
FILED

05-417 SEP 29 2005

IN THE

OFFICE OF THE CLERK

Supreme Court of the United States

EMPRESA CUBANA DEL TABACO, d/b/a CUBATABACO,

Petitioner,

—v.—

GENERAL CIGAR CO., INC., and GENERAL CIGAR HOLDINGS, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

APPENDIX OF DISTRICT COURT OPINIONS

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

97 Civ. 8399 (RWS)

EMPRESA CUBANA DEL TABACO,
d.b.a. CUBATABACO,

Plaintiff,

—v.—

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,

Defendants.

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OPINION

Sweet, J.

The plaintiff Empresa Cubana del Tabaco d/b/a Cubatabaco ("Cubatabaco") seeks to recover for alleged willful acts of trademark infringement, trade dress infringement, unfair competition, misappropriation and trademark dilution by defendants Culbro Corporation (now known as General Cigar Holdings, Inc. and General Cigar Co., Inc. (collectively, "General Cigar") with respect to Cubatabaco's trademark COHIBA for premium Cuban cigars and for cancellation of General Cigar's trademark registrations for that mark.

After the completion of the pretrial proceedings, a non-jury trial was held on various dates between May 27, 2003 and June 23, 2003. Upon all the prior proceedings and the following findings of fact and conclusions, judgment will be entered in favor of Cubatabaco cancelling General Cigar's trademark registrations and enjoining General Cigar from using the COHIBA mark. Several of Cubatabaco's other claims, however, are dismissed.

The Issues

This action considers trademark issues in the unique context of the trade embargo against Cuba. Cuba has developed several strong cigar trademarks. While nearly all of them were developed before the Cuban revolution, *i.e.*, Partagas, Punch and Ramon Allones, the COHIBA trademark was registered in 1969, and was first sold outside of Cuba in 1982. Cubatabaco alleges that General Cigar has unlawfully infringed on the COHIBA mark in the United States despite the fact that Cubatabaco not only cannot sell Cuban COHIBA cigars in this country

because of the embargo,¹ but did not register the trademark when General Cigar stopped selling its COHIBA cigars for a number of years, nor did it object to General Cigar's application to register the mark in December 1992.

Several different issues were explored at trial and in the post-trial submissions by both parties. However, as explained in greater detail below, the following issues are the most important in resolving the liability issues in this litigation:

- Was COHIBA a well-known or famous mark in the United States on November 20, 1992, the date of General Cigar's first new use of the COHIBA trademark?
- Is there a likelihood of confusion between the Cubatabaco COHIBA and the General Cigar COHIBA?
- Did Cubatabaco abandon the COHIBA mark in the United States from 1992 to 1997?
- Did General Cigar act in bad faith in exploiting the COHIBA trademark?

¹ The Cuban Assets Control Regulations, 31 C.F.R. Part 515, prohibit, *inter alia*, (1) the importation into the United States of merchandise from Cuba or merchandise of Cuban origin; and (2) the use in U.S. commerce of any trademark in which Cuba or a Cuban national has, at any time since July 8, 1963, had any interest, direct or indirect. 31 C.F.R. §§ 515.201, 515.204, 515.311. These same regulations allow for, however, filing in the United States applications for trademark registrations, prosecuting said applications, receiving registration certificates and renewal certificates and recording any instrument affecting title to trademark registrations. 31 C.F.R. § 515.527.

The Parties

Cubatabaco is a company organized under the laws of Cuba with its principal place of business in Havana, Cuba. Directly, and through its licensee, Habanos, S.A., Cubatabaco exports tobacco products from Cuba throughout the world, excluding the United States because of the current trade embargo. It was established by the Cuban government as an independent entity with its own assets and administration and is subject to the jurisdiction of a Cuban ministry.

Culbro has been merged into and is survived by General Cigar Holdings, Inc. General Cigar Holdings is a Delaware corporation with its principal place of business in the county of New York and functions as a holding company for General Cigar Co. Inc.

General Cigar Co., Inc. is a Delaware corporation with its principal place of business in Bloomfield, Connecticut. General Cigar Co., Inc. is in the business of manufacturing, marketing, advertising and distributing tobacco products.

General Cigar and its predecessors in interest have been major U.S. manufacturers and distributors of cigars for more than a century.

Prior Proceedings

Cubatabaco filed its complaint on November 12, 1997, alleging that Cubatabaco possessed a COHIBA mark for its cigars that was "well-known" in the United States at the relevant time, and that General Cigar's efforts to exploit and trade upon Cubatabaco's COHIBA mark in order to generate profits on the sale of its own cigars entitled Cubatabaco to relief under Articles 6bis and 10bis of the Paris Convention; Articles 7, 8, 20 and 21 of the Inter-American Convention; sections 38 and 43(a)

of the Lanham Act, 15 U.S.C. §§ 1120, 1125(c)(1) and 1125(a); and New York state law.

On December 11, 1997, the parties in settlement discussions entered into a written agreement that, *inter alia*, (1) the actions of both parties in this court and in the U.S. Patent and Trademark Office ("PTO") are "stopped"; (2) "the time spent during the negotiation will not be used by any of the parties to the detriment of the other, in case there is no [settlement] agreement;" and (3) "use of General Cigar's COHIBA trademark as from the signing of this Contract will not be used in detriment of Cubatabaco if agreement is not reached." The parties reported this agreement to the Court on December 16, 1997, and, at their request, all proceedings were stayed, including discovery, until litigation was renewed in February 2000.

By order dated December 5, 2000, Counts V (Article 22 of TRIPS), VI (Article 10 of the Paris Convention), VIII (false representation of origin in violation of Section 43(a) of the Lanham Act) and IX (deceptive advertising in violation of Section 43(a) of the Lanham Act) were dismissed with prejudice in light of the decision in *Havana Club Holding S.A. v. Galleon S.A.*, 203 F.3d 116, 124 (2d Cir. 2000). Cubatabaco's motion to strike the jury demand of General Cigar was granted on December 15, 2000. See *Empresa Cubana de Tabaco v. Culbro Corp.*, 123 F.Supp.2d 203 (S.D.N.Y. 2000) ("*Empresa I*").

On June 26, 2002, this Court granted summary judgment for General Cigar dismissing Counts I (Article 6bis of the Paris Convention) and III (Article 7 and 8 of the Inter-American Convention), granted summary judgment for Cubatabaco on its claim that General Cigar had abandoned the COHIBA mark from 1987 until 1992, and dismissed General Cigar's equitable defenses. See *Empresa*

Cubana de Tabaco v. Culbro Corp., 213 F.Supp.2d 247 (S.D.N.Y. 2002) ("*Empresa II*"). Accordingly, Cubatabaco's claims are now limited to:

- (1) Count II (Article 10bis of the Paris Convention);
- (2) Count IV (Articles 20 and 21 of the Inter-American Convention); (3) Count VII (Trademark Infringement under Section 43(a) of the Lanham Act); (4) Count X (state and common law unfair competition); (5) Count XI (cancellation of the 1995 registration); (6) Count XII (dilution under state and federal law); and (7) [Count] XIII (common law misappropriation).

Id. at 286-87. Motions by both plaintiff and defendants to reconsider *Empresa II* were denied on October 8, 2002. See *Empresa Cubana de Tabaco v. Culbro Corp.*, 2002 WL 31251005 (S.D.N.Y. Oct.8, 2002) ("*Empresa III*").

In an opinion dated March 12, 2003, the Court struck General Cigar's inadequate defense of abandonment and permitted it to amend its answer to assert an adequate abandonment defense, and excluded the testimony of two late-disclosed witnesses. See *Empresa Cubana de Tabaco v. Culbro Corp.*, 213 F.R.D. 151 (S.D.N.Y. 2003) ("*Empresa IV*").

In accordance with these rulings, the trial took place on various dates between May 27, 2003 and June 23, 2003. Post-trial argument was heard on October 9, 2003.

FINDINGS OF FACT

The following constitute the findings of fact of this Court and are based upon evidence adduced from the trial, testifying witnesses, over 1,500 exhibits, and the proposed findings of fact from Cubatabaco and General Cigar.

History of the Cohiba Mark Prior to 1992

Cubatabaco's Use of the COHIBA Trademark

In 1969, Cubatabaco filed an application to register the "COHIBA" mark in Cuba. By 1970, cigars branded with Cubatabaco's COHIBA trademark were being produced at the El Laguito factory in Havana. The cigar box and band bore a distinctive design developed for the COHIBA cigar as well as the COHIBA trademark. The box is plain and unpainted—the box top contains only the COHIBA name and an Indian Head logo, colored solid black, in the lower right corner. The band consists of a solid yellow field on the bottom section, and rows of white squares on a black field on the top. The name COHIBA, in all capitals in black on a white background in a bold sans serif font, straddles the top and bottom sections. The registration issued on May 31, 1972.

Throughout the 1970's, Cuban COHIBA cigars were commercially available and sold in Cuba at Havana's main hotels, upscale restaurants and two retail outlets. From 1970 to 1975, Cubatabaco claims that annual sales at the two retail outlets in Havana averaged approximately 100,000 cigars and increased to approximately 180,000 cigars per year by 1975. In addition, since at least 1970, COHIBA cigars had been sold to the Cuban Council of State, which includes the office of the Cuban President and to another Cuban state enterprise which in turn sold the cigars to Cuban Ministries and other government institutions.² Cubatabaco claims that the total volume of sales grew from approximately 350,000 to 375,000 per year from 1970 to 1975 to approximately

² General Cigar contests the characterization that cigars obtained and given away by Fidel Castro, other governmental officials and entities were sales by Cubatabaco.

550,000 to 600,000 per year from 1975 to 1980. There are no records of these sales, however, as Cubatabaco has a policy of destroying its sales and production records after five years.

By January 1978, Cubatabaco had made application to register COHIBA in 17 countries, including most of the Western European countries.³ The applied-for registrations issued in due course. Cubatabaco did not, however, sell COHIBA cigars outside of Cuba until 1982.

In July 1981, Cubatabaco announced that it would soon begin commercial exports of COHIBA in *Cubatabaco International* (July-December 1981), published in English for the foreign cigar trade. The COHIBA cigar was on the issue's front cover. In this publication, Cubatabaco expressly positioned COHIBA as the pinnacle of Cuban cigars.

On June 30, 1982, Cubatabaco launched COHIBA's international commercial sales at an event in Madrid during the World Cup.

In 1983, Cubatabaco sought to register the COHIBA mark in the United States for the first time. In August 1984, its United States attorneys, Lackenbach, Siegal, Marzullo, Pesa & Aronson ("Lackenbach"), informed Cubatabaco that General Cigar had already obtained the registration on February 17, 1981.

On February 22, 1985, Cubatabaco filed an application with the PTO to register in the United States the BEHIQUE mark with the same trade dress it used on COHIBA cigars.

³ The countries were: Great Britain, Ireland, Belgium, the Netherlands, Luxembourg, Spain, France, Denmark, Portugal, Australia, Egypt, South Africa, Argentina, Mexico, Switzerland, Venezuela, Colombia, and Italy. Cubatabaco has by now registered the mark in more than 115 countries total.

In 1987, Cubatabaco sought and obtained an opinion from Lackenbach on whether to begin legal proceedings over the COHIBA registration. Thereafter, Cubatabaco learned that General Cigar had filed a Declaration of Use and Incontestability for its COHIBA registration under Sections 8 and 15 of the Lanham Act in 1986 in connection with its 1981 registration for COHIBA. Cubatabaco chose not to take any action against General Cigar.

General Cigar's Use of the COHIBA Trademark

General Cigar first learned of the name "COHIBA" in the late 1970's. General Cigar executives had read a *Forbes* article published on November 15, 1977 discussing the impact of Cuban cigars on the U.S. industry and noting that Cubatabaco was developing a COHIBA cigar to market abroad. In addition, a December 1977 internal memorandum refers to COHIBA as "sold in Cuba/brand in Cuba" and "Castro's brand cigars."⁴

In February 1978, General Cigar employee Oscar Boruchin ("Boruchin") discussed the COHIBA brand with Edgar Cullman Jr. ("Cullman"), chairman of Culbro. Boruchin purportedly had learned of COHIBA from a friend who visited Cuba on behalf of the State Department during the Carter Administration and was given COHIBA cigars in Cuba by "the highest echelons of government."

On March 13, 1978, General Cigar filed an application to register "Cohiba," with a claimed first use date of on or before February 13, 1978. Before or after pursuing this application, General Cigar did not request counsel to

⁴ The words came from handwritten notations on an internal memoranda, and the handwriting was never identified. General Cigar claims that this writing cannot establish that it knew that Cubatabaco was using the COHIBA mark or selling COHIBA cigars prior to General Cigar's first use or application to register the COHIBA mark.

conduct a trademark search in Cuba or internationally, which would have disclosed the Cuban registrations. There is evidence to suggest that such a search would not have been industry practice in these circumstances.⁵

It is a disputed issue as to whether the COHIBA name was well-known at this time. Boruchin testified that he told Cullman that "[n]obody knew the brand," and it was "not on the market," "didn't mean anything to anybody," and was "just given to visitors, diplomats." Cubatabaco states, however, COHIBA cigars were well-known in the United States cigar industry and among the public because of the *Forbes* magazine article and a February 6, 1978 article in *New York* magazine featuring Cubatabaco and COHIBA. Further, numerous United States journalists, business executives, and others knew of the brand from seeing it on cigars for sale in retail outlets and hotels in Havana, from receiving COHIBA cigars as gifts in Cuba and at receptions in the United States, and by word of mouth.

On July 25, 1978, the U.S. Patent and Trademark Office ("PTO") asked General Cigar "whether the term COHIBA has any meaning or significance in the relevant trade or industry." General Cigar answered in the negative.

On March 20, 1979, the PTO, in another Office Action, noted, "Cohiba is a geographical tobacco growing region of Cuba," and stated that the COHIBA application would be refused as either geographically descriptive or mis-descriptive, depending on whether the goods were from

⁵ While other U.S. law firms could and did conduct international trademark searches at the time, General Cigar cites the testimony of a U.S. trademark lawyer retained by Cubatabaco who stated that he has never conducted a trademark search in Cuba for a party who did not intend to use or register the mark in Cuba. Moreover, he stated that he generally does not conduct any foreign trademark searches for clients who want to use the mark in the United States only.

Cohiba. In a September 14, 1979 response, General Cigar asserted that COHIBA was "wholly arbitrary" and "fanciful and arbitrary," which Cubatabaco claims General Cigar clearly knew to be false.

On November 4, 1980, General Cigar's COHIBA application was published in the Trademark Office Official Gazette for opposition purposes. Neither Cubatabaco nor any other entity opposed General Cigar's COHIBA application. General Cigar obtained United States registration for the COHIBA mark, Registration 1,147,309, on February 17, 1981.⁶

General Cigar sold a cigar under the COHIBA name from 1978 until late 1987. From 1978 to 1982, General Cigar shipped 1000 or fewer COHIBA-branded cigars per year. The cigars were White Owl "stock" machine-made cigars that were shipped along with other White Owl cigars (or other "seconds") labeled with as many as 32 other different brands as part of a "trademark maintenance program."

Beginning in November 1982, General Cigar placed the COHIBA brand on its pre-existing Canario D'Oro premium cigar. The total sales from 1982 to 1985 were approximately 600,000 cigars, while fewer than 10,000 cigars were sold in 1986-87. The cigars are described by General Cigar as an "upscale bundle" of cigars, "positioned between premium and machine-made cigars in terms of price and quality." As a result of the declining sales, the lack of advertising by General Cigar, and the nearly complete absence of media mentions of the early

⁶ Whether the trademark was legitimately obtained is a matter of dispute. Cubatabaco claims that General Cigar's incomplete, misleading and false responses to the PTO's queries were certain to mislead the PTO from a full and proper consideration of the matter, including that the Cuban brand was protected from registration or use in the United States under the Inter-American Convention.

General Cigar COHIBA, "[b]y November 1992, whatever goodwill, if any, generated by the sales in the early-mid 1980's would have long been entirely dissipated." Alan Siegel ("Siegel") Report, PX 318, at ¶ 5.

Fame of the COHIBA Mark in 1992 and Later

Evidence of the Fame of the COHIBA mark in November 1992

No studies were commissioned by either party to determine the level of awareness of COHIBA in the U.S. in 1992. As a result, the quantitative data that experts from both sides relied on was from periods before and after General Cigar resumed use of the mark.

Cubatabaco has presented evidence which demonstrates that there was a significant interest in Cuban cigars generally in the period before General Cigar's reintroduction of the mark. Cullman has acknowledged that "Cuban cigars have had a mystique in the U.S. since the embargo." Tr. at 1021. In addition, according to the Cigar Association of America, the cigar industry's national trade organization, in 1988-89, despite the embargo, "as much as 10% of the 56 million premium cigars smoked in the United States were of Cuban origin." PX 217. The most substantive indication of interest in Cuban cigars and/or COHIBA cigars by premium cigar smokers, however, comes from survey evidence.

The Shanken Survey

In December 1991, a survey was conducted on behalf of M. Shanken Communications, Inc. (the "Shanken Survey"). The results were tabulated in January 1992. The survey participants were not representative of the general population, nor were they intended to be. Approximately 44% of the respondents reported annual incomes

of over \$100,000. Most of the respondents were selected from a list of subscribers to *Wine Spectator*, which is published by M. Shanken Communications, Inc.

The survey respondents expressed a particular interest in Cuban cigars: 47% of the respondents thought Cuba produced the best cigars; 33% of the respondents traveled outside the U.S. at least two times a year, and 54% of these travelers indicated that they had purchased Cuban cigars while traveling; and 24% of the respondents stated that the brand of cigar they normally smoked was Cuban.

The Shanken Survey did not measure either unaided awareness or aided awareness for any cigar brands. Unaided awareness is awareness of a brand without the benefit of prompting, while aided awareness measures the recognition of a brand after that brand has been mentioned. As measured by the Shanken Survey, awareness of the Cuban COHIBA was quite low:

Only 0.6% of respondents mentioned COHIBA as the most preferred brand they normally smoked, which placed it in a tie for 25th out of 26 among all brands mentioned. COHIBA was only ranked 8th among all Cuban cigars.

When asked about all brands of cigars normally smoked, 1.1% of respondents mentioned COHIBA, which placed it in a tie for the 29th position out of 30 among all brands. Among Cuban brands, COHIBA was ranked 8th.

2.2% mentioned COHIBA when asked about the finest cigar they had ever smoked. On this measure, COHIBA was tied for the 8th position out of 9, and was ranked 6th among Cuban brands. However, in the over \$3.50 per cigar group, COHIBA tied for fourth place, with 6% mentioning it.

Based in part on the Shanken Survey, General Cigar's expert Itamar Simonson ("Simonson"), a marketing professor at Stanford University, hypothesized an unaided awareness level of 3.5%. Simonson also testified that given that figure, the true awareness level was "well below 50% and in all likelihood, well below 15 to 20%," although he could not "put a number on that." Simonson Dep. at 119.

February 1992 issue of The Wine Spectator

The Wine Spectator magazine published a feature in its February 15, 1992 issue entitled "The Allure of Cuban Cigars, Special Report from Havana 30 Years After the U.S. Embargo." PX 1157. The issue included several articles on Cuban cigars, and described COHIBA as Cuba's "finest" cigar. Another article reported that COHIBA is "the hot brand" in London's cigar shops. In an article entitled "The Man Behind the Coveted Cohiba," it is reported that

Cohiba is revered by cigar aficionados like Lafite or Petrus are treasured by wine connoisseurs. American cigar collectors are known to pay three or four times the normal retail price for a box of 25 Cohibas smuggled into America. Actor Tom Cruise reportedly has a standing order for two boxes of Cohiba Robustos whenever he is in Europe.

Id. The total paid circulation of the February 15 issue was 105,659 issues. PX 1221.

The Launch of Cigar Aficionado

Sometime in 1992, Marvin Shanken ("Shanken"), the editor and publisher of *Wine Spectator*, approached Cubatabaco to seek advertising and assistance in putting together articles for *Cigar Aficionado*. Cubatabaco

agreed to advertise in the magazine and to provide information for articles about its cigars by giving Shanken and his reporters access to farms and factories and setting up interviews upon request. Cubatabaco agreed to pay the expenses of Shanken and others from *Cigar Aficionado* for their trips to Cuba.

On September 1, 1992, M. Shanken Communications, Inc. ("Shanken Communications") published the premier issue of *Cigar Aficionado* magazine (the "premier issue"). Other than trade papers, it was the only U.S. publication devoted to premium cigars, and remained the sole publication of its kind for several years. Before *Cigar Aficionado* was published, the only article discussing the Cuban COHIBA in any detail was one written by Shanken and James Suckling, *Cigar Aficionado's* European Editor, in the February 15, 1992 issue of *Wine Spectator*.

The premier issue of *Cigar Aficionado* had a U.S. circulation of 115,000 copies. Of these, 73,000 represented paid subscriptions, 32,000 went to newsstands (inclusive of cigar retail stores, street newsstands and bookstores) and 10,000 were promotional.

At year-end 1991, there were 467,000 premium cigar smokers in the U.S.; by year-end 1992, there were 483,100. Thus, the circulation of the premier issue of *Cigar Aficionado* was equal to approximately 25% of all premium cigar smokers at the time.

Cigar Aficionado's premier issue was a glossy, full color upscale publication with high production values. The issue contains a six-page story entitled, "The Legend of Cohiba: Cigar Lovers Everywhere Dream of Cuba's Finest Cigar." COHIBA is described as "legendary to cigar aficionados," and smoking a COHIBA is described as "giving the same kind of satisfaction as a wonderful glass of Chateau Lafite-Rothschild does to a

wine lover or a superb main course at a Michelin three-star restaurant does to a gourmet." The issue also rated cigar brands, and gave the COHIBA Robusto the highest ranking, a 96 out of 100. Other highly positive references to the Cuban COHIBA appear throughout the magazine. Other than COHIBA, no article in the premier issue is devoted to a particular cigar brand. Siegel, who has extensive experience in the branding and marketing of products, testified that "[i]n my more than 35 years of experience, I cannot recall any product in any category getting more powerful and favorable publicity than the Cuban Cohiba received in the premier issue of *Cigar Aficionado*." Siegel Direct ¶ 17.

The premier issue was published with two different covers, one for the U.S. market and one for the rest of the world. Both mentioned "Cuba's Best Cigar" on the cover, but the international cover featured those words, while the U.S. cover placed the words in smaller print at the bottom, headlining instead "America's Favorite Cigars," a reference to an article within about Dominican-made cigars.

Although it cannot be quantified with precision, the Cuban COHIBA was further publicized by pass-along readership, the phenomenon whereby "readers talk to others about what particularly memorable articles they have read in an authoritative publication and frequently pass along the issue." Siegel Direct ¶ 51. Cubatabaco's expert, Alvin Ossip ("Ossip") testified that a premier issue of a magazine would receive greater than average pass-along readership.

Other Publicity Following the Premier Issue

The September 21, 1992 issue of Newsweek, with a national circulation of 3,195,309, see PX 64.1, reported on the launch of *Cigar Aficionado* magazine. The article

described *Cigar Aficionado's* "blind tastings," and noted, "Unfortunately this month's winner, the five-inch Cohiba Robusto ('mouth-filling with rich coffee, spicy flavors and an impressively long finish'), is Cuban and can't be bought on the open U.S. market." PX 1112(c)(1)-49 at P10897. The article also commented on the "impressive 60 pages of ads for such premium products as a hand-blown bottle of Glenlivet Scotch at \$650, Louis Vuitton luggage and, of course, Cohiba cigars." *Id.*

Other articles published soon after the premier issue focused on the growing cigar market and referenced both *Cigar Aficionado* and COHIBA. See Cynthia Penney, "Puff Piece," *Forbes*, Nov. 23, 1992 (observing that Cuban cigars "have enormous cachet" and noting demand for "the fabled Cohibas and Punches and Monte Cristos"); Gregory Katz, "Dominicans Burn With a Desire to Claim Cigar Dominance," *Dallas Morning News*, Nov. 1, 1992 (referring to COHIBA and Montecristo as "the best Cuban cigars").

Other Media References

Between 1986 and November 20, 1992, there were approximately 46 news articles published which mentioned COHIBA. The majority of the articles are not about cigars and mention COHIBA only in passing. Over 70% of the articles contain only a single reference to COHIBA. No evidence has been produced as to how many premium cigar smokers were exposed to the articles. However, COHIBA is referred to in the articles very positively and is portrayed as the cigar of the rich and powerful. A 1990 *New York Times* article on the film director Michael Winner reports that Winner smoked a "\$15 Cohiba cigar as smoked by Castro" and quotes him observing: "Have you noticed that the world's greatest luxury items in the world are always 'as used by' Com-

munist leaders?" John Culhane, *In 'Bulls-Eye!' the Aim is Laughter*, N.Y. Times, Jan. 14, 1990, at Sec. 2, p. 15. A 1992 article in a Miami newspaper stated in a featured sentence in large print: "Cohibas, the best of the Cuban-made cigars, sell for \$12 to \$25 in London." Nancy San Martin, *Fake Cuban Cigars Raise Quite A Stink*, Miami Herald, Sep. 30, 1992, at 1B.

The evidence presented by Cubatabaco demonstrates that there was significant awareness of the COHIBA brand in November 1992. While the Shanken Survey shows that awareness was quite low prior to the premiere issue of *Cigar Aficionado*, that issue provided a significant boost in name recognition for the brand. The only significant data on the fame of the brand that post-dates the premier issue comes a year and a half after General Cigar resumed sales of its COHIBA cigar, as set forth below. Undoubtedly, the continued publicity of the Cuban COHIBA in subsequent issues added to whatever fame the brand had achieved in November 1992. Nevertheless, the data from July 1994 can be reasonably extrapolated to determine that the estimates provided by Ossip for mid-1994 to mid-1995 do not grossly overestimate the probable awareness of the Cuban COHIBA brand in November 1992.

The Introduction of the General Cigar COHIBA in 1992

In September 1992, following the publication of the premier issue of *Cigar Aficionado*, General Cigar made a decision to adopt the name "Cohiba" for a new super-premium cigar product. General Cigar made the decision in part to capitalize on the success of the Cuban Cohiba brand and especially the good ratings and the notoriety that it had received in *Cigar Aficionado*. The General Cigar management, including President David

Burgh ("Burgh"), discussed the *Cigar Aficionado* article. The management was pleased that the Cuban Cohiba had rated so well in the premier issue, and thought that it would be good if General Cigar were able to capitalize on those good ratings.

On November 20, 1992, General Cigar reintroduced its COHIBA as a premium cigar, sold through Alfred Dunhill, a high-end nationwide chain of cigar stores. General Cigar acknowledges that the reintroduction was at least in part a response to *Cigar Aficionado*'s coverage of the Cuban COHIBA. However, Cullman and Ronald Milstein ("Milstein"), a former in-house attorney for General Cigar, both testified that General Cigar had intended to launch a premium COHIBA cigar and had been engaged in discussions with outside counsel since 1989 regarding possible use of the Cuban trade dress on such a cigar. No documentary evidence was adduced showing that General Cigar had plans for a "super-premium" cigar prior to the premier issue of *Cigar Aficionado*. General Cigar has stated that "[t]he high ranking of the Cuban COHIBA and the perception at the company that the brand would grow in prominence motivated General Cigar management to direct that a product be introduced as soon as possible." Def.'s PFF, ¶ 63.

In reintroducing its COHIBA, the General Cigar management wanted to use trade dress for its product as close as permissible to that of the Cuban COHIBA. General Cigar pursued this strategy because "they wanted to somehow capitalize on the success of the Cuban brand, and especially at this point in time the good ratings that it got, the notoriety that it got from *Cigar Aficionado*." Milstein Dep. at 183. General Cigar's Vice-President of Marketing, John Rano ("Rano"), retained a graphic designer and asked him to produce packaging that was "exactly same." Bachner Dep. at 56-57. The designer did

as instructed, although the prototypes that were made were never used in commerce.

When considering packaging for the General Cigar COHIBA, Milstein wrote to General Cigar's trademark counsel, Harry Marcus ("Marcus") of Morgan & Finnegan, stating: "Enclosed is a label, a box with a label, and a cigar with a band from Cubatabaco's COHIBA brand cigar. As we discussed, we would like to use a label as near as possible to this one. Please review their U.S. registration and suggest label designs as close as possible to these." PX 926. General Cigar did not tell Marcus that their purpose for wanting to use a label as close as possible to the Cuban COHIBA was in order to capitalize on the success and notoriety of the Cuban brand. *See* Tr. 1154-55 ("He wouldn't have told me because that is not what I understood his purpose to be.").

The General Cigar COHIBA that was introduced in November 1992 was sold in a high quality but plain wooden box. The box had only the COHIBA name on the lid and the name of General Cigar's importing company on the bottom with the words "made in the Dominican Republic." DX 287. The COHIBA name printed on the box was in a bold sans serif typeface like that of the Cuban COHIBA and was in a location similar to that of the Cuban COHIBA box. General Cigar did not use any element of Cubatabaco's registered Cuban COHIBA trade dress, such as the Indian Head logo or the black, white and yellow design. The box did not have any logo or design, and the cigars were sold without bands. The cigars were sold without bands because General Cigar "didn't want anything to be registering in a very big way with the consumer for a long period of time," Rano Dep. at 99, and "because the brand image was in transition,

[General Cigar] did not wish to commit to a band with a particular design on it." Collman Direct ¶ 56.

The General Cigar COHIBA introduced in November 1992 was in fact a preexisting General Cigar product, "Temple Hall." General Cigar initially manufactured a small quantity—3600 cigars—and sold them exclusively through Alfred Dunhill stores. Dunhill agreed to sell the unbanded Temple Hall-COHIBA branded cigar because of the COHIBA name. The Dunhill catalog advertised the General Cigar COHIBA as the "[r]ightful heir to the Cuban legend," and noted that "[t]he cigars have no band, but *you* will know." PX 335. Another Dunhill catalog states in reference to the General Cigar COHIBA that "[t]oday's cigar enthusiast need look no further than the Alfred Dunhill humidors for this celebrated range of Cuban origin." PX 1153. In March 1994, Marc Perez ("Perez"), a buyer for Dunhill, characterized the Cuban Cohiba as "the most legendary cigars in the U.S. market, where they cannot legally be purchased." PX 899. Perez testified that when he wrote that he was "playing off the hype that I believe started with the article in the premier issue of *Cigar Aficionado*." Perez Dep. at 436.

The Temple Hall-COHIBA was sold by Dunhill, and later by Mike's Cigars, a Florida retailer, wholesaler, and mail-order distributor, for almost five years, from the end of 1992 to sometime in 1997. General Cigar engaged in no advertising or promotion of its Cohiba cigar from 1992 to 1997. Sales of the General Cigar COHIBA from November 1992 to 1996 were as follows:

1992: 5600

1993: 50,000

1994: 49,000

1995: 101,000

1996: 96,000

These sales constituted less than 0.05% of General Cigar's annual premium cigar sales from 1992 to 1996.

In late 1992 and early 1993, General Cigar decided to seek Cubatabaco's permission to use its registered Cohiba trade dress. According to a memo authored by Milstein in January 1993, the stated rationale for seeking Cubatabaco's permission was that in order "[t]o aid GC in successfully repositioning and relaunching its Cohiba brand cigar, it would be useful to exploit the popularity, familiarity, brand recognition and overall success of the Cuban Cohiba." PX 1084. According to Milstein, this referred to General Cigar's intent to develop a brand image in the U.S. based on the growing reputation of the Cuban COHIBA outside the United States. Tr. 1286-87. The memo also stated that "[t]he obvious immediate benefit for GC of such an arrangement is to promote its relaunch of Cohiba and exploit the brand recognition and image of its Cuban cousin." PX 1084. The plan to seek permission from Cubatabaco, however, was ultimately abandoned.

In the same period from late 1992 to early 1993, General Cigar developed a marketing and advertising strategy with its long-time advertising agency, McCaffery, Ratner, Gottlieb & Lane ("McCaffery Ratner"). The strategy, "Marketing the Cuban Cigar," was prepared either by McCaffery Ratner or by General Cigar in late 1992 and early 1993. The document describes the fame of Cuban Cohiba:

Cohiba is the magic word in the cigar industry. It is consistently given top ranking by the industry judges and the name has a high recognition factor here in the U.S. despite the fact that it cannot be purchased in the country.

PX 966. The possibility of confusion between the two brands was also considered:

There is a problem that could lead to confusion in the marketplace with the introduction of a premium cigar with the Cohiba name. There is a "Cuban" Cohiba already being advertised here. This creates an uneven playing field for the new introduction. It means, essentially, that every Cohiba ad will benefit that cigar equally as well as the American Cohiba cigar. When the embargo is lifted, it is important that General Cigar continue to own the Cohiba name so that they will have leverage in distributing the real, Cuban Cohiba.

Id. Part of General Cigar's strategy was to foster an association of the General Cigar COHIBA with Cuba. Phase 1 of the marketing strategy was to "[e]xploit the Cohiba name, with its reputation as one of the world's finest cigars, to build a brand image for the U.S. product." PX 314. Among the "tactics" to be used in implementing that strategy was "subliminally connect [ing] the Cohiba name with the romance of pre-Castro Cuba," *id.*, despite the fact that Cohiba was developed after the Cuban Revolution. To do this, McCaffery Ratner originally suggested a "Cohiba Launch Campaign":

For the introduction of Cohiba we recommend a special event. The time is the 50's, the place Havana, Cuba, where the fantasy, glamour, romance and mystic [sic] were at its height and the wealthy Americans and Europeans used it as their playground. We want to titillate the memories of those who have known and those who have wondered.

PX 940.1. The phrase "the place Havana, Cuba" was replaced with "And the place is reminiscent of the

favored playgrounds of the Caribbean," *id.*, but the proposal was otherwise unchanged.

The 1994 and 1995 Surveys

The first survey after *Cigar Aficionado*'s publication was conducted by General Cigar in July 1994 by telephone with a sample of 200. The source of the respondents or their qualifications has not been provided by General Cigar. However, Ossip reports that:

The respondents in these studies, compared with those in the Shanken Study, were less likely to be \$200,000 a year earners and less likely to be corporate executives and managers, although there was a general upward income skew among respondents. They were somewhat more likely to be under 35 years of age than those in the Shanken Study and somewhat less likely to buy cigars via mail order.

Ossip Direct, ¶ 36. The 1994 survey measured the percentage of respondents who indicated that they had tried a COHIBA cigar ("trial awareness") at 18.5%, placing it 10th among all brands of premium cigars. Unaided awareness in this survey, and in subsequent surveys, was measured by first asking "What is the first brand of cigar you can think of?" and following that up with "What other brands of cigar can you think of?" Respondents were not asked to name Cuban brands. According to the survey, the unaided awareness level for COHIBA was 14.5%. No aided awareness survey data was taken for COHIBA, or for any other Cuban brand.

Another telephone survey, reported in February 1995 with a sample of 304, but likely conducted earlier, registered a trial awareness for COHIBA of 21.4% and an unaided awareness of 17.1%. A third post-publication survey, reported in May 1995 with a sample of 363, reg-

istered a trial awareness of 23.4% and an unaided awareness of 16.7%. Simonson, the defendant's expert, hypothesizes that trial awareness is higher than unaided awareness because the previous trial awareness questions "are likely to aid the consumer in retrieving cigar names from memory." Simonson Direct ¶47. Ossip similarly suggests that unaided awareness data

is obtained in studies like these in a telephone interview where the respondent may not give deep thought to plumbing his memory for brand names, and where the interviewer, who has a long interview to complete, will move the questioning along when the respondent pauses.

Ossip Direct ¶38. On average, respondents volunteer 4.4 brand names (some of which are not premium brand names) but they report having tried an average of 6.8 brands.

All three surveys collected aided awareness data for other brands. The following tables summarize the figures for four brands with comparable trial and unaided awareness rates:

July 1994

	Trial	Unaided	Aided
Davidoff	27	18.0	73
Hoyo de Monterey	26	11.5	76
Avo	26	13.0	52
Ashton	22	8.5	60
COHIBA	18.5	14.5	

February 1995

	Trial	Unaided	Aided
Davidoff	28	16.8	77
Hoyo de Monterey	32	16.4	80
Avo	31	15.0	58
Ashton	22	7.2	58
COHIBA	21.4	17.1	

May 1995

	Trial	Unaided	Aided
Davidoff	31	18.4	80
Hoyo de Monterey	32	17.1	83
Avo	32	14.6	61
Ashton	23	7.7	57
COHIBA	23.4	16.7	

Aided awareness frequently overstates the true brand awareness because of the phenomenon of "spurious awareness." Spurious awareness occurs when survey respondents are asked whether they have heard of a particular brand name; if the name seems plausible for the product category, some respondents will say they have heard of it even if they have not. Both Cubatabaco's and General Cigar's experts have concluded, however, that "it is almost always the case that true awareness exceeds unaided awareness." Tr. 1427 (Simonson). One way to address the problem of spurious awareness is to include "controls," which are "often fictitious brand names that appear plausible for the product category or existing

brands from related but different product categories." Simonson Direct ¶ 26. Controls were not used in the 1994 and 1995 surveys. Neither General Cigar nor Cubatabaco provided an estimate of the degree of spurious awareness in the three telephone surveys.

Cubatabaco's expert, Ossip, has estimated that based on the survey data "it is likely that Cohiba awareness in mid-1994 to mid-1995 was in the 62-71% range." Ossip Direct ¶ 50. Ossip examined the three surveys for the differences between unaided and aided awareness for nine brands (four of which are shown above), and then averaged the differences as a guideline for the likely increment over Cohiba's reported unaided awareness. Ossip initially averaged seven of the nine brands, which yielded an average increment of 55%. Ossip excluded Macanudo and Partagas "because their extremely high trial rates limit the potential for the increment between unaided and aided awareness." *Id.* at ¶ 43. In response to criticism by Simonson, Ossip averaged all nine brands, which produced an average increment of 48%. Neither of these approaches are generally used, and are not reported in the relevant literature. Ossip explains his resort to estimation as follows:

The task of deriving an estimate of aided awareness from unaided awareness numbers is uncommon since if one has an interest in both measures then such information would be collected. Apparently, General Cigar was interested in the nine brands for which both types of data were collected, but not in Cohiba unaided awareness. Consequently, I cannot draw on established procedures.

Ossip Direct ¶ 41. Simonson criticizes the methodology because it is guaranteed to yield an aided awareness level of 48%, even for a brand with zero unaided aware-

ness. While such a result would not make sense, Simonson's criticism has only limited application when applied to unaided awareness levels which are comparable to other brands. In fact, three to four brands in each survey registered lower unaided awareness than COHIBA, despite being available in the United States. It is therefore appropriate to use an estimation technique in determining the Cohiba's aided awareness level in 1994 and 1995.

While it is true, as General Cigar argues, that "there is no way to derive aided awareness for a given brand from the relationship between aided awareness (or trial awareness) for other brands because these relationships may vary significantly from one brand to another," Def. PFF ¶ 86, it does not therefore follow that it is illegitimate to *estimate* aided awareness based on similar data for other brands. General Cigar provides no evidence that the aided awareness figures for COHIBA would be significantly lower than those of other brands with comparable trial and unaided awareness figures. Indeed, Simonson also uses estimation techniques to derive an awareness figure from the Shanken Survey, which did not ask about unaided or aided awareness. *See id.* at ¶¶ 77-81. Based on the evidence provided in the 1994 and 1995 surveys, aided awareness of the COHIBA brand was significantly higher than 50% in July 1994.

Ossip also testified persuasively that the unaided awareness of Cohiba would have measured significantly higher if questions such as "What brands of Cuban cigars can you think of?" were asked, instead of asking about cigar brands generally. Ossip Direct ¶ 40. Such an approach is suggested by Kevin Keller in his book *Strategic Brand Management: Building, Measuring and Managing Brand Equity* (2d ed.2003), pp. 453-57, a book also cited by Simonson.

Evidence of General Cigar's Intent in Reintroducing the COHIBA Mark in 1992

General Cigar Executives' Trip to Havana

In November 1992, Milstein and Alfons Mayer ("Mayer"), then General Cigar's Vice President for tobacco, attended a symposium in Havana celebrating the fifth centennial of the discovery of tobacco. Milstein does not speak or read Spanish, although he was involved in the legal aspects of General Cigar's international business. Mayer had worked for General Cigar in Cuba prior to the revolution, and was fluent in Spanish.

Neither Milstein nor Mayer had been instructed to engage in any discussion with Cubatabaco. Their plans were to learn more about the world cigar markets and assess the implications for the company should the embargo end.

Milstein and Mayer had a meeting with Cubatabaco's President, Francisco Padron ("Padron"), on November 3, 1992. There was no mention of COHIBA at the meeting. However, according to a memo by Milstein dated November 25, 1992, "Padron made it very clear that trademarks are not important. He said that Havana will sell cigars no matter what name they have." DX 88.

Milstein was also introduced to a junior Cubatabaco attorney named Adareglio Garrido de la Grana ("Garrido") at a party in Havana. At the time Garrido did not speak English and only understood spoken English poorly. Garrido did not have any responsibilities for Cubatabaco's trademarks in the United States or in any other English-speaking territory. According to a memo prepared by Milstein on November 20, 1992, when Milstein and Garrido discussed COHIBA, Garrido stated that Cubatabaco "acknowledged that we owned the name in the U.S. and that we would be free to sell a cigar

under that name there." DX89. However, the memo states that Garrido objected to the use of the COHIBA trade dress. Milstein has no recollection of his conversation with Garrido other than reviewing the memo he prepared afterward, and does not remember if he made any notes relating to the conversation.

Garrido testified that he never told representatives of General Cigar that it was free to sell cigars in the U.S. under the COHIBA name, stating that "not even if I had lost my mind would I have said anything" about the rights to COHIBA. Garrido Direct ¶ 3. Milstein describes the meeting as "very much a social meeting in that it was a friendly sort of chat rather than us sitting down around a conference table." Tr. 1224. There was also no discussion of whether Garrido had been authorized to speak on behalf of Cubatabaco concerning COHIBA. Only Milstein and Garrido were present and Milstein does not recall whether Garrido spoke to him in Spanish or English.

General Cigar has argued that at Milstein's meeting with Garrido in Havana in November 1992, Cubatabaco recognized that General Cigar owned the COHIBA word mark in the United States. However, the evidence shows that General Cigar intended to reintroduce the COHIBA mark in September 1992, before the Milstein-Garrido meeting. Further, Garrido was not authorized to make such statements, and General Cigar's trademark counsel further warned that "an acquiescence defense may be difficult to prove based on oral remarks ." PX 834 at GC 87. Finally, in consideration of Garrido's denial that he made any statement to that effect and the language barrier that separated Milstein and Garrido at the time, the evidence adduced by General Cigar of Cubatabaco's alleged acknowledgment is not credible.

General Cigar's Communications with Its Trademark Counsel

General Cigar's relaunch of its COHIBA cigar took place before it had consulted with its trademark counsel specifically on the use of the word mark or the use of the Cuban COHIBA trade dress. Shortly afterward, however, General Cigar requested an opinion on these issues.

In a December 1992 draft opinion letter that was never formalized or signed, trademark counsel advised General Cigar that the use of the COHIBA name along with Cubatabaco's trade dress would likely lead a trier of fact "to conclude that there was deliberate copying to take advantage of the goodwill associated with the Cuban product." PX 834. The letter opined that for Cubatabaco to establish a superior right to the COHIBA word mark, "it would have to prove that (a) a segment of the U.S. public associates the COHIBA mark with Cubatabaco, or even an anonymous source of Cuban cigars; and (b) this brand recognition antedates General Cigar's use of the mark in the ordinary course of trade." *Id.* However, the letter concluded that it was "unlikely that Cubatabaco could prove sufficient exposure of the COHIBA brand to cigar smokers in the U.S. to establish the requisite secondary meaning or likelihood of confusion necessary for Cubatabaco to prevail." *Id.* The opinion letter also raises the possibility that General Cigar may have abandoned the COHIBA mark by periods of nonuse following its application for registration in 1978 and the issuance of the registration in 1981.

The letter took into account the publicity created by the premier issue of *Cigar Aficionado*, but noted that "any brand recognition which may exist in the U.S. is limited to the highest echelon of the cigar smoking public in terms of amount spent per cigar." *Id.*

The letter acknowledged the alleged comments made by Garrido to Milstein regarding the use of the COHIBA mark in the U.S., and raised the possibility that the statements "may give rise to the defense of acquiescence in connection with your use of the word mark ." *Id.* However, it also noted that "an acquiescence defense may be difficult to prove based on oral remarks," and suggested obtaining written confirmation from Cubatabaco. *Id.*

Trademark counsel's advice in the letter was to "file a new U.S. trademark application, based either on use in commerce or intent-to-use, coinciding with the new launch of COHIBA product. If a new application for COHIBA depicts the mark in some stylized form, or even in block letters, it would not be deemed duplicative of the existing registration." *Id.*

General Cigar did not rely on the draft letter when it adopted and began use of the Cohiba mark in late November of 1992. Trademark counsel's letter is dated December 1992, and it was transmitted to General Cigar on December 2, 1992, after General Cigar has already begun marketing COHIBA cigars.

General Cigar Files for a Second COHIBA Registration

Pursuant to the advice of trademark counsel, General Cigar applied for a second COHIBA registration on December 30, 1992. In December 1991, trademark counsel had conducted a trademark search and provided a legal opinion that no one else had a right to the COHIBA word mark in the U.S. at that time. General Cigar's application was published for opposition on April 12, 1994, and granted without opposition in 1995.

For the purposes of the second application, trademark counsel faxed to a trademark illustrator a photocopy of the COHIBA mark from the Cuban COHIBA box. The

resulting block letter drawing was attached to the application that trademark counsel filed in December 1992 on General Cigar's behalf to reregister the COHIBA word mark using a specific typeface.

General Cigar claims that it did not believe there was much awareness of the Cuban COHIBA in the U.S. It relied on the opinion of its trademark counsel, who were aware of the *Cigar Aficionado* articles on the Cuban COHIBA, that COHIBA was unlikely to be well-known in the U.S. General Cigar also claims that it believed that Cubatabaco did not and would not assert rights to the COHIBA word mark in the U.S. as a result of the conversation between Milstein and Garrido in Havana and Padron's published remarks.

Cubatabaco's Intent with Respect to the COHIBA Mark in the U.S. Between 1992 and 1997

Padron's First Interview With Cigar Aficionado

In a November 1992 interview, published in the Spring 1993 *Cigar Aficionado*, Francisco Padron, director of Cubatabaco, replied to a question regarding the company's future strategy for Cuban cigars. The magazine included the following purported exchange:

CA: Many American smokers don't realize that there are two brands of Partagas, a Partagas in America from the Dominican Republic and a Partagas sold around the world from Cuba. Assuming that tomorrow the embargo was lifted, how would it work?

Padron: We are not going to have two brands over there. Not even in Europe. We decided to break off our deal with Davidoff because of that. So what would happen is that we would launch new things

for the North American market, new brands. Or we could make an arrangement with the brand owners there.

CA: General Cigar, as an example, owns the brand names Partagas, Ramon Allones and Cohiba for the U.S. market, and it has tremendous distribution in the United States. I would imagine that they would love to sit down with you and work it out to represent those brands of Cuban cigars in America. Is this possible or a problem? You are shaking your head no.

Padron: The first condition is that they must pass the brand name to us. This is the first condition. Immediately. If not, forget about it. Second condition, they must be our partner the same way that we have it with the rest of the world. There is no other way to make a deal with us. If not, forget about it.

Padron also stated:

We want to have [a] Habano cigar, not a brand name. It doesn't matter if it is Bolivar, Montecristo or even Cohiba. For the last four years, we have been telling the connoisseur how to recognize a Havana. When we launched the smoke ad we just put Havana, now Habanos. We think the most important thing is the umbrella that can cover all brand names. We can create a brand name whenever we want.

Cubatabaco challenges these statements as unreliable given the difficulties of translation (the interviewer spoke no Spanish) and complexity of legal issues. In response, General Cigar notes that Padron never corrected or disclaimed the statements attributed to him in the interviews.

Padron's Second Interview with Cigar Aficionado

In a December 1993 interview with Padron, which appeared in the Spring 1994 edition of *Cigar Aficionado*, the following exchange purportedly took place:

CA: If the embargo ended tomorrow or two to five years from now, have you thought through how it would happen and what the scenario would be? You have problems with certain brands as far as trademark issues, and with other brands you do not have a problem. Have you thought how you would introduce your brands to the American market?

Padron: First there is going to be a fight. We have not been able to have the brand name in the United States because of the embargo. It was forced by [the United States]. It was not decided on our side. . . . But we are not going to fight in order to get our cigars into the United States. As we always say, a Habano [cigar] is a Habano [cigar]. With a name of Marvin or Padron or Meyer or whatever goes on the cigar, it is a Habano. So, we are going to let everybody know that we are here, and this is a Habano. We are not going to fight with somebody else because he owns the brand name of Cohiba or Montecristo in America. We have been living without that for a long time.

Cubatabaco challenged this statement for the same reasons it objected to Padron's earlier interview excerpts. As noted in *Empresa II*, Padron's statement is internally contradictory on the issue of whether there is "going to be a fight." 213 F.Supp.2d at 277 n. 44. Further, both interviews were made without "the true knowledge of the facts—that General Cigar was pursuing a new registration for the COHIBA mark." *Id.* at 277. Padron's

statements to the press therefore do not constitute a conclusive expression of Cubatobaco's intent.

Cubatabaco's Efforts to Promote the COHIBA Brand in the United States

Since the 1970's, Cubatabaco has registered Cohiba in International Class 34 in 115 countries. Cubatabaco launched COHIBA internationally in Spain in 1982. By 1987, the brand was being exported to more than 22 countries, including Canada, Mexico, and several European countries. Despite their inability to sell cigars in the U.S., Cubatabaco has made efforts to promote the brand in the United States. In January 1997, Cubatabaco filed an application to cancel General Cigar's registration of the COHIBA mark.

After the article in *The Wine Spectator* in February 1992, Shanken returned to Havana to seek the support and collaboration of Cubatabaco for the launch of *Cigar Aficionado*. Cubatabaco agreed and assisted the magazine by facilitating the visit of journalists to Cuba, arranging for them to visit Cuba's tobacco farms and cigar factories, and arranging interviews. The staff of Cubatabaco were instructed to collaborate with *Cigar Aficionado* in order to promote Cuban cigars, including COHIBA, to cigar smokers in the United States as well as other English-speaking consumers.

In the 1992 meeting between Cubatabaco and Shanken, both Shanken and Cubatabaco representatives expressed the view that the premier issue of *Cigar Aficionado* should feature a major article on COHIBA. Cubatabaco did not suggest that an article be written about any other brand.

Cubatabaco decided that its advertisement in *Cigar Aficionado* would be for COHIBA and not for any other brand. The ad ran in the premier and second issues of

Cigar Aficionado, but further advertisements were prevented by General Cigar's threat of infringement actions. The advertisement was a full-page, color advertisement that bore the legend, "COHIBA is the first name in cigars."

After the premier issue, the Cubatabaco Marketing Department continued to provide ongoing assistance to *Cigar Aficionado's* writers, who visited Cuba between two and three times per year between 1992 and 1997, as well as later. *Cigar Aficionado* reported much more on COHIBA than on any other brand.

In November 1992, Cubatabaco launched the 1492 Siglo line of COHIBA at the 5th Centennial celebration of the landing of Columbus in Cuba. Cubatabaco invited Shanken and Suckling from *Cigar Aficionado*, and both attended. The March 1993 issue of *Cigar Aficionado* contained a laudatory feature on the Siglo launch, and gave high ratings, from 90 to 96, to each cigar in the line.

The Cubatabaco Marketing Department requested that Shanken be granted an interview with President Castro, to be published in *Cigar Aficionado*. The interview, conducted by Shanken, appeared in *Cigar Aficionado's* June 1994 issue. The magazine's cover portrayed Castro with a COHIBA cigar. The Shanken interview with Castro generated articles referencing COHIBA in several newspapers.

In 1994, Cubatabaco collaborated with *Cigar Aficionado* on the organization of the "Dinner of the Century," promoted by *Cigar Aficionado* as a lavish cigar dinner for elite personalities in Paris on October 22, 1994. The Marketing Department understood that a number of U.S. personalities would be invited and the event would be covered by *Cigar Aficionado*. Cubatabaco proposed that COHIBA be the featured

cigar, and produced and provided, free of charge, new vitolas, or cigar shapes, of COHIBA created especially for the dinner, as well as special COHIBA boxes.

The association of the COHIBA cigar with this event provided substantial publicity for COHIBA in *Cigar Aficionado* and in other U.S. publications, including the New York Times and the Miami Herald. Numerous prominent Americans sat on the dinner board, including R.W. Apple Jr., Washington Bureau Chief of the New York Times, and Steven Florio, President of Conde Nast Publications.

The Marketing Department invited Shanken and Suckling to the cigar events it organized in Cuba in 1994 and 1995, and in 1996, it extended to them invitations to attend its 30th anniversary celebration of the COHIBA. In 1995, Habanos, S.A., Cubatabaco's licensee, named Shanken "Habanos Man of the Year for Communications" at the September 1995 dinner it held in Havana.

In late 1995, Habanos, S.A. decided to organize a gala celebration to mark the 30th anniversary of COHIBA, to take place in 1996. In early 1996, it decided to postpone the event until 1997 to allow for adequate preparation. The Marketing Department carried out planning of the event from early 1996 and invitation lists were drawn up in 1996. The 30th anniversary events took place in Havana during the last week of February 1997.

In drawing up the invitation list, Habanos included a wide range of U.S. press, celebrities and business persons. More than 800 persons attended the event, including almost 100 persons from the U.S., of which more than 30 were journalists. NBC and CNN covered the event, as did journalists from *Cigar Aficionado*.

More than 35 stories were published on the COHIBA celebration in the U.S. press preceding the event. *Cigar Aficionado* included articles in both its May/June and

July/August 1997 issues, as did the Summer 1997 issue of *Smoke*. With Habanos' permission and assistance, CNN filmed footage in the spring of 1996 in preparation of the celebration, and aired a program using this material on April 10, 1996. In late 1996, CNN shot footage at the El Laguito factory and conducted numerous interviews with Cubans connected with the production and sale of COHIBA cigars. CNN covered the 30th Anniversary, and CBS broadcast a report on its "Sunday Morning" program that included footage of the 30th anniversary celebration. National Public Radio introduced its live broadcast from Havana on February 28, 1997 with a piece about the 30th anniversary of COHIBA.

Between 1992 and the end of 1996, as well as after that, Cubatabaco's Marketing Department met with and assisted numerous U.S. journalists in order to promote Cuban cigars, and COHIBA in particular. The head of the Marketing Department met with, among others, representatives of CNN and CBS, *Business Week*, *Smoke*, and *Tobacco International*, as well as *Cigar Aficionado*. Throughout the 1990's, the Marketing Department worked with and provided assistance to many other U.S. writers and journalists, almost all of whom pursued a particular interest in COHIBA.

During the 1992-1997 period, the Marketing Department assisted several authors in their research of books on cigars that prominently featured and praised COHIBA, and granted them the use of photographs and materials. It contracted for the U.S. publication of the leading Cuban book on Cuban cigars, which also contained material on COHIBA. It also assisted U.S. filmmakers who made videos on Cuban cigars with prominence given to COHIBA.

It has been the policy and practice of the Marketing Department to assist all U.S. journalists. It has given preference to requests of U.S. journalists for information and interviews about COHIBA, and has facilitated their visits to the El Laguito factory and other factories where COHIBA cigars are manufactured.

According to Ana Lopez Garcia ("Lopez Garcia"), the Director of Marketing for Cubatabaco from 1993 to 1994, and the Director of Marketing at Habanos, S.A., from 1994 until the present, Cubatabaco has always intended to sell COHIBA in the United States market as soon it was legally possible, and the Marketing Department, in furtherance of this intention, engaged in activities aimed at building and maintaining the reputation of COHIBA in the U.S., including during the period 1992-1997. Lopez Garcia Direct § 50.

After learning in 1996 that a Dominican company named Monte Cristi was manufacturing Dominican cigars bearing the COHIBA name and the Cuban COHIBA trade dress and exporting them in large numbers to the United States, Cubatabaco moved against Monte Cristi in the Dominican Republic. Cubatabaco successfully cancelled Monte Cristi's Dominican trademark registration, and Cubatabaco's exclusive licensee, Habanos, S.A., now sells Cuban COHIBAs in the Dominican Republic.

Cubatabaco's Attempts to Cancel General Cigar's COHIBA Registration

In January 1994, Cubatabaco received a box of General Cigar's COHIBA-branded Temple Hall cigars. Along with the box, Cubatabaco received a note stating that the box was not sold as a "regular item" and that it was being produced by General Cigar only for purposes

of its trademark registration.⁷ At the time Cubatabaco believed that General Cigar was not making stable or continuous use of the COHIBA trademark in the United States. Cubatabaco's counsel did not learn of the box until some time later.

On April 12, 1994, General Cigar's application to register COHIBA in a block letter format was published for opposition. No entity challenged General Cigar's application to register COHIBA in block letter format at that time.

After its aborted attempt to register the COHIBA mark in 1983 and 1984, Cubatabaco pursued registration again in June 1994 when it learned that General Cigar had filed a second application for the mark and believed that General Cigar's prior registration and use rights might be vulnerable. Cubatabaco's chief counsel at that time conferred with the law firm Rabinowitz, Boudin, Standard, Krinsky & Lieberman ("Rabinowitz, Boudin") in June and July 1994 as to the availability of legal remedies with respect to General Cigar's registration and use of the COHIBA mark, and with other United States attorneys at other times in 1995 and 1996. Garrido conducted investigations in Cuba in late 1995 and 1996, and presented a final memorandum to Cubatabaco's president in August 1996. Cubatabaco's board authorized litigation on September 12, 1996.

On January 15, 1997, Cubatabaco commenced a proceeding in the Trademark Trial and Appeal Board ("TTAB") to cancel General Cigar's registration of the

⁷ The note read in full: "This Box of Cohiba is produced by General Cigar for trademark registration purposes in the U.S.A. only. This is not to be sold as a regular item. That is why you only see the name Cohiba. The cigar is ??? Tom." The back of the box bore a stamp, "Dunhill by Alfred Dunhill of London, Inc. Handmade in Santiago Republica Dominicana 42K Beverly Hills."

COHIBA mark and filed an application with the United States Patent and Trademark Office ("USPTO") to register COHIBA in International Class 34. General Cigar's senior management was aware of the cancellation petition at that time.

On May 28, 1997, Cullman, Jr. contacted Francisco Linares ("Linares"), president of Habanos, S.A., a marketing arm of Cubatabaco, to propose a settlement meeting. As noted earlier, the instant lawsuit was filed on November 12, 1997.

During the period from 1992 to 1997, Cubatabaco intended to market its COHIBA in the United States in the event that it became legally possible to do so.

Likelihood of confusion of the Cuban COHIBA with the General Cigar COHIBA

General Cigar's Assessment of the COHIBA Brand From 1992 to 1997

Cullman, Jr. was interviewed by *Cigar Aficionado* for its September 1996 issue. The following exchange was reported in the magazine:

CA: One obvious question is Cohiba. What are you doing with that? You own the American rights but you haven't done much with it. Why haven't you taken the brand to market and made it a priority given the awareness and consumer demand for the brand?

Cullman: I think it's a very good question and the answer really lies in the fact that we don't have a blend and a unique taste for the cigar that we would be happy with. We think it's such a blockbuster brand name that we must come out with something that is equal to the expectation of the brand. . . .

We need to develop a third leg, in essence, a taste for Cohiba. If we just came out with something that was a variation of a Macanudo or a variation of a Partagas, we don't think that would cut it.

PX 1123(8).

Cullman also testified that "by May of 1997, the awareness and the cult status of the Cuban Cohiba was much more recognized." Cullman Dep. at 442. He also stated that "it was impossible not to acknowledge at that point a strong awareness among cigar smokers that Cohiba existed, there was a Cuban Cohiba, and as I mentioned before, there was great interest, among new smokers especially, to walk around with, showing off the Cuban Cohiba label." *Id.* at 443.

The 1997 Launch of the Super-Premium General Cigar COHIBA

In late January or February 1997, General Cigar made a decision to launch a new product under the COHIBA name at the July 1997 annual Retail Tobacco Dealers of America ("RTDA") convention. The earliest evidence adduced concerning the proposed General Cigar COHIBA launch is a document from February, 23, 1997. Rano testified that the decision to launch the new product was made "very early in '97." Rano Dep. at 178.

McCaffery Ratner did no work on COHIBA from mid-1993 until late 1996 or early 1997. General Cigar asked McCaffery Ratner to use the same 1950's Havana/Caribbean mystique proposal they had prepared in 1993 in the various "Marketing the Cohiba Cigar" documents. The 1950's Caribbean mystique strategy was executed as the advertising and promotion that accompanied the General Cigar COHIBA launch in September 1997.

General Cigar has repeatedly acknowledged that the Cuban COHIBA was well known by U.S. cigar consumers prior to General Cigar's super-premium COHIBA launch in fall 1997. Cullman, Jr. testified that "[i]n 1997 the Cuban Cohiba was certainly well known in the United States." Tr. 1103. A Fall 1997 General Cigar document created for the sales force as a selling tool described COHIBA as "the most recognized cigar brand in the world." PX 881.

The marketing strategy of General Cigar was to exploit the fame of the Cuban brand for the new General Cigar product. In its Product Development Guide, dated May 13, 1997, General Cigar stated that the "Cuban cigar heritage and the near 'cult' status of the Cohiba Cuban version will be a benefit to generate initial trial of the brand, and easy brand recognition, but not the main engine driving the brand." PX 98. Further, the design of the relaunched General Cigar COHIBA was modeled after the look of the Cuban COHIBA. The same document states: "Packaging/presentation will be minimal in keeping with [the] clean, sparse look of [the] Cuban Cohiba." *Id.* The band of the new General Cigar COHIBA consists of two thick black stripes on the top and bottom of the band. The remainder of the band is white, except for the name COHIBA in black bold letters, with a red dot inside the "O", and a red oval with the words "HAND MADE" in small black letters.

The look of the cigar band, while similar in typeface to the Cuban COHIBA, is significantly different, as reported by *Cigar Insider* in August 1997:

The unvarnished mahogany box in which the cigars will be packaged is still plain, but the new band has a distinct graphic identity that's in the spirit of the famous Cuban logo, but doesn't precisely imitate it. Instead of the signature yellow and black of Cuba's

Cohiba, General's brand has simple black lettering; a splash of red in the circle of the "O" is the only flourish.

PX 867. The assessment of the "graphic" difference between the two bands is, of course, a distinct issue from the identically worded trademarks.

Advertising for the Relunched General Cigar COHIBA

The 1997 advertising for the General Cigar COHIBA attempted to create an association in the consumer's mind to Cuba and the Cuban COHIBA. General Cigar's expert acknowledged that advertising themes such as "past and present come together in COHIBA" evoked an association with Cuba. Simonson Dep. at 187-88. In-store posters for use by retail tobacconists were created based on a work order to "[c]reate a Cohiba brand image poster that incorporates the mystique of Cuba." PX 987. Several of the initial advertisements, as well as the flyleaf enclosed in the cigar box, also promoted the claim that the filler of the General Cigar COHIBA contained "Cuban seed" tobacco. See DX34A (flyleaf); PX 882 (promotion sent to retailers stating that "the filler is grown from Cuban seed, 'Piloto Cubano' grown in the Dominican Republic.")

Cigar retailers promoting the General Cigar product advertised the cigar in a manner that suggested its association with the Cuban COHIBA. General Cigar has submitted no evidence showing that it attempted to dissuade retailers from pursuing such a strategy. In August 1998, Famous Cigars, a major retailer, provided General Cigar with pre-publication catalog copy for its COHIBA with the heading "COHIBA: THE CIGAR EVERYONE WANTS TO SMOKE! NOW AVAILABLE IN THE U.S.!!"

PX 327. The copy also described the General Cigar COHIBA as "[t]rue to its Cuban roots." *Id.* Another major retailer, Thompson & Co., stated in its catalog that "there are only two places in the world where this brand is legitimately manufactured: Castro's Cuba and in the Diaz y Cia subsidiary of General Cigar Co. in Santiago, Dominican Republic." PX 356. The catalog later states that

As you might imagine, given the popularity of the Cohiba brand, getting a supply of them is quite difficult. After all, tobaccoists the world over are clamoring for any supply they can procure, legitimate or otherwise.

Id. Cubatabaco has provided evidence of numerous similar advertisements for the General Cigar COHIBA by less prominent retailers. *See e.g.*, PX 1131-1 (internet website of Amalfi Cigar Company: "The pride of the Havanas is now made in the Dominican Republic. Named after what the Taino Indians of Cuba called tobacco.") The existence of such advertisements contributed to possible consumer misunderstanding over the relation between the two brands, a misunderstanding that General Cigar did not attempt to dispel.

General Cigar's Actions Against the Cuban COHIBA

General Cigar has consistently acted against the importation, advertisement and display of the Cuban COHIBA in the U.S. on the ground that the Cuban COHIBA infringes on General Cigar's COHIBA.

— In November 1997, after Cubatabaco commenced this lawsuit, counsel for General Cigar wrote to the United States Custom Service to demand that Customs stop U.S. persons returning from Cuba from legally bringing

Cuban COHIBAs into the United States on the ground that such COHIBA-labeled cigars infringed General Cigar's trademark rights. In the letter, Cuban COHIBAs are referred to as "counterfeit goods." PX 1134-17. Although returning visitors are allowed under the U.S. embargo to bring up to \$100.00 worth of Cuban goods into the U.S., General Cigar prevailed upon Customs to bar consumers from bring back more than one item bearing the COHIBA mark. Under U.S. trademark law, persons returning from abroad are allow to bring only one infringing item into the country for personal use.

At Cubatabaco's request, Hunters & Frankau, a distributor of cigars in London, placed an advertisement in the premier issue of *Cigar Aficionado* featuring the Cuban COHIBA. After the advertisement appeared, General Cigar gave formal notice in a November 5, 1992 letter to Hunters & Frankau, with a copy to the editor and publisher of *Cigar Aficionado*, that it considered the advertisement to infringe on General Cigar's registered mark (1981 registration).

In September 1993, General Cigar wrote to Havana House, a Canadian cigar distributor, and accused it of intending to advertise the Cuban COHIBA in *Cigar Aficionado*. General Cigar threatened Havana House with an injunction under 15 U.S.C. § 1114 if it ran such an advertisement. General Cigar similarly responded to advertisements in *Cigar Aficionado* by the Cohiba Cigar Divan in Hong Kong.

General Cigar's General Counsel, Ross Wollen ("Wollen"), testified that it remained the company's position that all of these *Cigar Aficionado* advertisements were infringing because any use of the word "COHIBA" in association with cigars would cause confusion in the U.S. marketplace. Wollen Dep. at 306. Wollen testified that "[a]n American consumer reading

this magazine [*Cigar Aficionado*] and a customer of Dunhill might be confused that this is the General Cigar Cohiba sold in Dunhill, and it isn't." *Id.* at 303. Austin McNamara ("McNamara"), President of General Cigar at the time, testified that advertisement of the Cuban COHIBA in 1994 would "absolutely" cause confusion with consumers in the United States. McNamara Dep. at 135.

General Cigar's Actions Against Third Parties

General Cigar has brought enforcement actions against third parties who made use of the COHIBA name in conjunction with trade dress used by the Cuban COHIBA. Some of these counterfeit cigars bore a Dominican designation of origin, some bore a Cuban designation of origin, some bore no designation of origin at all; many used elements of the Cuban COHIBA checkerboard, Indian Head and black, white and yellow colors. As was implied by the trade dress, consumers understood these products to be the Cuban COHIBA or affiliated with the Cuban COHIBA, and General Cigar understood this to be the consumer's perception.

From late 1995, counterfeit COHIBAs bearing trade dress used by the Cuban COHIBA became increasingly prevalent in the U.S. market. General Cigar brought enforcement actions against counterfeit COHIBAs in the ground that they were likely to cause confusion.

Many of the counterfeit COHIBAs were manufactured in the Dominican Republic by a company called Monte Cristi de Tabacos. Monte Cristi COHIBAs used trade dress very similar to that used by the Cuban COHIBA. Monte Cristi COHIBAs sometimes, but not always, featured a "Republica Dominica" designation of origin.

On January 31, 1996, General Cigar recorded its COHIBA mark with U.S. Customs, giving Customs the

power to seize Monte Cristi Cohibas and other goods bearing the mark as infringing upon the defendant's mark. At General Cigar's urging, and with its assistance, Customs seized over 35,000 counterfeit Cohibas by May of 1997, most of which mimicked the Cuban Cohiba's trade dress.

In July 1997, General Cigar sent a letter to retailers regarding Monte Cristi Cohibas and other counterfeits. It stated that it had received

numerous complaints about product which has been purchased by unwary consumers who think they are buying a high quality General Cigar or Cuban made Cohiba. Instead, what they have found they have purchased are low grade, inferior quality cigars manufactured for the most part in the Dominican Republic and banded to deceive the uneducated buyer.

PX 1077. General Cigar's COHIBA was unbanded in July 1997. In the letter, General Cigar stated that consumers purchasing counterfeit cigars banded like the Cuban COHIBA were in fact confused among such cigars, Cuban Cohibas and General Cigar Cohibas.

In fall 1997, General Cigar successfully sought a preliminary injunction from this Court against one of Monte Cristi's distributors, Global Direct Marketing. *See General Cigar Co. v. G.D.M., Inc.*, 988 F.Supp. 647, 660 (S.D.N.Y. 1997). General Cigar argued to this Court that all eight *Polaroid* factors favored the issuance of a preliminary injunction, and that confusion was inevitable because "the marks and type of goods are identical, except that G.D.M.'s Cohiba cigars are inferior." PX 649 at GC 005481. Mark Perez of Dunhill testified on behalf of General Cigar that differences between the counterfeit Cuban Cohiba trade dress employed by G.D.M. and Gen-

eral Cigar trade dress would not be sufficient to dispel confusion because, "the name is what people attach to the product, not necessarily the band or the trade dress. The name is the most important thing that drives consumers I believe ." Perez Dep. at 455-56 (acknowledging G.D.M. testimony). The Court found it "extremely likely that confusion will occur between the COHIBA marks used by GDM and General Cigar." *General Cigar*, 988 F.Supp. at 665.

In 1998, General Cigar brought criminal infringement proceedings against various Los Angeles operations selling Cohiba cigars bearing the Cuban Cohiba trade dress. In an affidavit prepared in support of a search warrant, John R. Geoghegan, Vice President for Strategic Planning and Brand Development at General Cigar, stated that consumers are "likely to attribute the inferior quality [of counterfeits] to General Cigar." PX 290.

Also in 1998, General Cigar brought suit, and in November 1999 obtained a consent injunction against a company called Cohiba de Dominica that sold cigars, clothing and other goods bearing the mark COHIBA and using trade dress used by the Cuban COHIBA, some of which bore the designation "La Habana, Cuba."

The 1998 Cambridge Group Presentation

In 1998, General Cigar retained a market consultant and research firm, The Cambridge Group, which was paid over \$500,000 for its work on a focus group and quantitative research on several General Cigar brands, including COHIBA. The Cambridge Group made a presentation to senior General Cigar management, including Cullman, Jr. on June 15, 1998, in which it projected transparencies of pages from its report, "Building the Premium Cigar Consumer and Brand Factbase—Progress

Update." PX 185. It also provided a hard copy of the report to General Cigar.

One of the report's pages presented at the meeting read as follows:

*Consumer Confusion Over "Different Kinds"
of Cohiba Is a Major Concern*

Substantial confusion exists over Dominican versus Cuban Cohibas

- > Knowledgeable people tend to look down on Dominican Cohibas as an imitator or a fake
- > Others are simply confused
- "There are two brothers, one who makes Cohiba in Cuba and the other in the Dominican Republic"

Strategically, it appears questionable to invest behind extending our Cohiba brand to new categories while this issue remains.

Id. The report contained several other references to consumer confusion, including a summary which states that "[t]here is serious consumer confusion over different types of Cohibas." *Id.* The observations about COHIBA in the report were generated from "focus group qualitative research, based on perhaps six to eight groups of about eight cigar smokers each." Ossip Direct ¶83. General Cigar took no corrective action in response to these findings. General Cigar did not undertake any investigation or additional research to test the accuracy of the findings in The Cambridge Group's report.

A 1998 survey taken by NFO Research, Inc. for The Cambridge Group measured aided awareness of COHIBA at 56%. See PX 181 at NFO 1263.

The 2000 Survey

In late 2000, Ossip conducted a survey designed to measure consumer confusion between the Cuban COHIBA and the General Cigar COHIBA. The report on the study is dated March 2001. Households that participate in an Internet survey panel were sent an e-mail soliciting their participation if any household member over 21 years of age smokes cigars. The participating cigar smokers then accessed a survey questionnaire via the Internet. The survey interviews took place in October and November 2000.

Of 1873 respondents, 962 were identified as cigar smokers who will buy premium cigars, defined for the purposes of this study as cigars priced at \$65 or higher for a box of 25 or \$2.81 per cigar or higher. This level was selected by considering cigar prices for approximately 375 individual cigars for over 80 premium brands shown by *Cigar Insider* magazine in December 1999.

Those respondents that had heard of COHIBA, and who indicated that at least some COHIBA cigars are made in Cuba—30% of respondents—were then shown pictures of a General Cigar COHIBA box, as well as cigars, and were told that they were from “a box of cigars sold by quality retailers in the United States.” Ossip Direct ¶ 116, 126. The respondents were then asked questions to determine if they believed that (a) Cuban COHIBAS and General Cigar COHIBAS were made by the same company; (b) if the two companies have an association or business connection; and (c) if one company received authorization or approval from

the other to use the name COHIBA. About 53% of those respondents indicated source confusion.

Ossip's analysis of the data shows a level of source confusion at

a little above 15% in the gender balanced sample and almost 16% among male smokers. Among all those who have heard of Cohiba, where the potential for trading on the Cohiba name may exist, about 21% are confused.

Id. at ¶ 121. Among those likely to buy cigars for \$120 a box (the low end of the price range for General Cigar Cohibas), Ossip estimates the confusion level at 19%, based on the fact that the confusion level for those who had heard of COHIBA is over 24%.

Simonson contends that the 2000 survey shows that aided awareness of the Cuban COHIBA was only 28% because that is the percentage of respondents indicated that they had heard of COHIBA from a list and had listed Cuba as one of the countries where COHIBA cigars are made. Simonson Direct ¶ 81. Simonson criticizes the 2000 survey as a measure of likelihood of confusion because it used "gender balancing," because it did not use a control in order to determine the "noise level" of the survey, and because it used a "side-by-side" methodology that misleadingly asked questions about the Cuban COHIBA and the General Cigar COHIBA by placing them in close proximity to one another, which allegedly did not reflect true marketplace. Def.'s PFF ¶ 166-67.

The gender balancing used in the 2000 survey was employed to reflect the greater tendency of females to respond to surveys, which resulted in their being over-represented in the survey relation to their numbers in the premium cigar buyer population. The survey

results were therefore properly adjusted to reflect the fact that "females would account for about 11% of the premium cigar buyer population." Ossip Direct ¶ 119.

Simonson argues that "a survey designed to estimate likelihood of confusion must include a proper control." Simonson Direct ¶ 79. This categorical statement is made after citing to what Simonson states is the most common type of survey—the "Eveready format," after the case in which the survey was used, *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir. 1976), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976). The study in that seminal case, however, did not contain a control. *See* Ossip Direct ¶ 160. A control in such a study would be a fictional mark which is "equivalent to the junior mark at issue, without infringing on the senior mark." Simonson Direct ¶ 79. The purpose of a control is to determine to what extent reports of confusion in fact reflect guessing or survey bias. It is difficult to determine from Simonson's criticism exactly how a control could have been helpfully employed in the 2000 survey. Any non-COHIBA word trademark would not serve as an effective control, while a fictional third COHIBA cigar would clearly infringe on the senior mark. The likelihood of confusion shown by the 2000 survey undoubtedly reflects some degree of guessing on the part of the respondents. However, Simonson has not shown that the survey as designed would significantly overstate the actual likelihood of confusion.

Simonson also criticizes the 2000 survey for presenting the two COHIBA brands side-by-side even though the Cuban COHIBA is not sold in the United States. The two brands are not actually shown side by side at any point during the survey. However, Simonson argues that the design of the survey unduly focused the attention of the respondents on the two marks in a manner "they

would not have considered in a normal purchase situation." Ossip Direct ¶ 157 (quoting Simonson Report). Cubatabaco submitted evidence at trial, however, showing that over half of the "heavy users of COHIBA" purchased their cigars on the Internet, Tr. 1357-58, where sales of the Cuban COHIBA and the General Cigar COHIBA are effectively sold side by side, albeit on different websites. In an internet cigar forum run by General Cigar, references by participants to the Cuban COHIBA are hyperlinked to the General Cigar COHIBA, that is, when the word COHIBA is "clicked on," the user is brought to a website advertising the General Cigar COHIBA. See Tr. 1364-69. Further, the numerous implicit references to the Cuban COHIBA in advertising for the General Cigar COHIBA would likely also cause potential consumers to focus their attention on the two marks. Under such marketing conditions, the use of a side-by-side methodology in the 2000 Survey was not misleading.

The 2000 Survey confirms the likelihood of confusion between the COHIBA marks as evidenced by General Cigar's assessments, its 1997 launch and advertising, its actions against the Cubatabaco COHIBA mark and counterfeit marks, and the assessment of the Cambridge Group, as found above.

CONCLUSIONS OF LAW

Jurisdiction and Venue

This court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a) for claims arising under the Paris Convention for the Protection of Industrial Property, the Inter-American Convention for Trademark and Commercial Protection; under 28 U.S.C. §§ 1331, 1338(a) and 15 U.S.C. § 1121(a) for claims arising out of

alleged violations of Sections 38, 43(a) and (c), and 44(b) and (h) of the Lanham Act, 15 U.S.C. §§ 1120, 1125(a) and (c) and 1126(b) and (h); under 28 U.S.C. §§ 1338(b) and 1367 for claims arising out of the state law of unfair competition, misappropriation and dilution. Venue is proper in this district under 28 U.S.C. § 1391.

The Article 10bis Claim Is Dismissed As Duplicative

General Cigar has contended that Count II of the Complaint, which alleges a violation of Section 10bis of the International Convention for the Protection of Industrial Property (the "Paris Convention"), should be dismissed as it does not confer any rights beyond those conferred by the common law. General Cigar cites several cases for the proposition that "trademark protection under [Article 10bis of] the Paris Union Convention gives no greater protection than that already provided by section 43(a) of the Lanham Act." *Scotch Whisky Ass'n v. Majestic Distilling Co.*, 958 F.2d 594, 597 (4th Cir. 1992). *See also Int'l Cafe, S.A.L v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001) (same).

Cubatabaco cites only one case in which simultaneous claims under the Lanham Act and under foreign treaties, including the Paris Convention, were permitted to go forward. *See Benard Indus. Inc. v. Bayer Aktiengesellschaft*, 38 U.S.P.Q.2d 1422, 1425-26, 1996 WL 218617 (S.D.Fla. Feb.29, 1996) (" . . . it does not appear that Bayer cannot prove any set of facts which would entitle it to relief under the [Paris and Inter-American] Conventions as well as the Lanham Act.").

In the leading case of *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956), the Second Circuit held that the Paris Convention

is essentially a compact between the various member countries to accord in their own countries to citizens of the other contracting parties the rights comparable to those accorded their own citizens by their domestic law. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens.

Id. at 640. Because a United States citizen could not file a distinct Paris Convention claim alleging unfair competition, neither can Cubatabaco. *See also Piccoli A/S v. Calvin Klein Jeanswear Co.*, 19 F.Supp.2d 157, 172 (S.D.N.Y. 1988) (holding that plaintiff's "Paris Convention claim is duplicative of its Lanham Act claim and thus must be dismissed.").

***The Inter-American Convention Claim is
Dismissed as Duplicative***

Count IV of the Complaint alleges a violation of the prohibition against unfair competition under Articles 20 and 21 of the General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, 2930-34 ("IAC"). General Cigar argues that the IAC does not confer any rights beyond those conferred by the common law. The Second Circuit dismissed a claim under Article 21 of the IAC because the language of Article 21 "authorizes the prohibition of its specified acts of unfair competition 'unless otherwise effectively dealt with under the domestic laws of the Contracting States.'" *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 134 (2d Cir. 2000). The Second Circuit then found that "because article 21(c) of the IAC prohibits a subset of the conduct already effectively prohibited under American law by Section 43(a)" of the

Lanham Act, the plaintiff had failed to state an Inter-American Convention claim via section 44(h) of the Lanham Act. *Id.* at 135 (quoting Article 20, 46 Stat. at 2932); *see also Empresa III*, 2002 WL 31251005 at *3 n. 2. Accordingly, Cubatabaco's article 21 claim is dismissed.

Article 20, however, does not contain language relating to whether the conduct it proscribes is already effectively dealt with by domestic law. *See* 46 Stat. at 2930-32. However, Article I of the IAC states the principle behind the Convention as a whole:

The Contracting States bind themselves to grant to the nationals of the other Contracting States and to domiciled foreigners who own a manufacturing or commercial establishment or an agricultural development in any of the States which have ratified or adhered to the present Convention the same rights and remedies which their laws extend to their own nationals or domiciled persons with respect to trade marks, trade names, and the repression of unfair competition and false indications of geographical origin or source.

Id. at 2912. The language of Article I establishes that the purpose of the IAC is analogous to that of the Paris Convention, that is, "to accord in their own countries to citizens of the other contracting parties the rights comparable to those accorded their own citizens by their domestic law." *Vanity Fair*, 234 F.2d at 640. Accordingly, the IAC confers no greater rights than are found under domestic law, whether that law is the common law or the Lanham Act. Cubatabaco's Article 21 claim is therefore dismissed.

Cubatabaco argues that this Court's holdings that "Section 44(h) incorporates the substantive provisions of

Articles 20, 21, and 22" and that "Articles 20 and 21 of the IAC . . . have the force of law under Section 44(h)", *Empresa II*, 213 F.Supp.2d at 280 and n. 49, imply that the IAC claims can survive as distinct claims. However, the fact that these provisions of the IAC have the force of law does not imply that they make available forms of relief not already available under domestic law. As the above analysis has shown, they do not.

The Trademark Infringement Claim Under Section 43(a) of the Lanham Act is Granted

"The purpose of the trademark laws is to protect the public from the confusion and deception which flows from the copying of marks which, through their distinctiveness or exclusivity of use, identify the origin of the marked products." *W.E. Bassett Co. v. Revlon, Inc.*, 3554 F.2d 868, 871 (2d Cir. 1966) (Lumbard, C.J.). The property right of the plaintiff is important, but it is the perspective of the consumer that must be borne in mind in determining if infringement has occurred. *See 1 McCarthy on Trademarks and Unfair Competition* ("McCarthy") § 2:33 at 2-58 (4th ed.2000)). Accordingly, trademark infringement may be found even when the two parties are not in competition and no harm will necessarily befall the plaintiff as a result of the infringement.

Cubatabaco alleges that General Cigar's conduct with respect to the COHIBA brand constitutes willful trademark infringement and trade dress infringement in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). To prevail on this claim, Cubatabaco must establish both that its mark is entitled to protection and that General Cigar's "use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods." *Virgin Enterprises, Ltd. v.*

Nawab, 335 F.3d 141, 146 (2d Cir. 2003) (citing *Gruner & Jahr Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993)). See also *Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 (2d Cir. 1999) (noting that *Gruner* test is applicable to claims brought under §§ 1125(a)).

Cubatabaco Has a Protectable Mark

The Court has previously held that General Cigar abandoned the COHIBA mark between 1987 and 1992. *Empresa II*, 213 F.Supp.2d at 271. Accordingly, General Cigar's 1981 registration and 1986 incontestability declaration are cancelled. *Id.* Further, the Court rejected General Cigar's argument that Cubatabaco cannot be the owner of the COHIBA mark because it did not register the mark with the USPTO because "one need not have registered the mark to 'own' it." *Id.* at 286.

General Cigar argues that it is the owner of the mark because it was the first to use the mark after it was abandoned. "It is well established that the standard test of ownership is priority of use." *Tactica Int'l, Inc. v. Atlantic Horizon Int'l, Inc.*, 154 F.Supp.2d 586, 599 (S.D.N.Y. 2001) (citing 2 *McCarthy* § 16.1). While Cubatabaco was using the COHIBA mark throughout the world in 1992, it is also well established that "foreign use of a trademark cannot form the basis for establishing priority in the United States." *Id.* (citing *Person's Co. v. Christman*, 900 F.2d 1565, 1568-69 (Fed.Cir. 1990)) ("[F]oreign use has no effect on U.S. commerce and cannot form the basis for a holding that [the foreign user] has priority here."). This principle is known as the territoriality principle.⁸ See *Grupò Gigante, S.A. v. Dallo &*

⁸ The Fourth Circuit has recently called the territoriality principle into question. See *International Bancorp, LLC v. Societe Des Bains De Mer et du Cercle Des Etrangers a Monaco*, 329 F.3d 359

Co., Inc.,¹ 119 F.Supp.2d 1083, 1089 (C.D.Cal.2000). Because of the embargo, Cubatabaco could not legally use the COHIBA mark commercially in the United States.

General Cigar's priority of use, however, is not the end of the matter. Under the common-law "well-known" or "famous marks" doctrine, "a party with a well-known mark at the time another party starts to use the mark has priority over the party using the mark." *Empresa II*, 213 F.Supp.2d at 286; *see also* 4 McCarthy at 29:4 (recognizing the doctrine); 3 Rudolf Callman, *The Law of Unfair Competition, Trademarks and Monopolies* (4th ed.) ("Callman") § 20:26 at 20-170-73 (same). The concept of a well-known mark was first recognized in Article 6bis of the Paris Convention. *See* Frederick W. Mostert, *Famous and Well-Known Marks* 7 (1997). Article 6bis states, in relevant part,

(4th Cir.2003), *cert. denied*, ___ U.S. ___, 124 S.Ct. 1052, 157 L.Ed.2d 891 (2004). The court held that because the term "commerce" in the Lanham Act is coterminous with the conduct that Congress may regulate under the Commerce Clause, and because Congress may regulate transactions by U.S. citizens in foreign countries, the "use in commerce" requirement of the Lanham Act is satisfied by the services offered by a foreign casino operator to citizens of the United States. *Id.* at 365-70. The dissent warned that the decision "threatens to wreak havoc over this country's trademark law" because potential trademark registrants "would be forced to scour the globe to determine when and where American citizens had purchased goods and services from foreign subjects to determine whether there were trademarks involved that might be used against them in a priority contest or in an infringement action in the United States." *Id.* at 388 (Motz, J., dissenting). The Court concurs with *McCarthy*, 29:4 (2003), who "agrees with the result, but disagrees with the legal analysis." Rather than decide the case on the meaning of "use in commerce," *McCarthy* argues, "the case should have been analyzed as an application of the 'famous marks' doctrine."

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

It has already been held that "the rights guaranteed by Article 6bis have been subsumed by federal and common law." *Empresa III*, 2002 WL 31251005, at *4.

The well-known marks doctrine was applied in two frequently cited New York cases: *Vaudable v. Montmartre, Inc.*, 20 Misc.2d 757, 193 N.Y.S.2d 332 (N.Y.Sup.Ct. 1956) and *Maison Prunier v. Prunier's Restaurant & Cafe, Inc.*, 159 Misc. 551, 288 N.Y.S. 529 (N.Y.Sup.Ct.1936). The doctrine has also been recognized in decisions of the Trademark Trial and Appeal Board ("TTAB"). See, e.g., *Mastic Inc. v. Mastic Corp.*, 230 U.S.P.Q. 699, 701 n. 3 (T.T.A.B.1986); *The All England Lawn Tennis Club (Wimbledon) v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069, 1072, 1983 WL 51903 (T.T.A.B.1983); *Techex, Ltd. v. Dvorkovitz*, 220 U.S.P.Q. 81, 83, 1983 WL 51872 (T.T.A.B.1983); *Mother's Restaurants, Inc. v. Mother's Other Kitchen*, 218 U.S.P.Q. 1046, 1048 (T.T.A.B.1983). While decisions of the TTAB are "not binding courts within this Circuit, [they] are nonetheless 'to be accorded great weight.' " *Buti v. Perosa, S.R.L.*, 139 F.3d 98, 105 (2d

Cir. 1998) (quoting *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989)). The Second Circuit recognized the famous marks exception to the territoriality principle in dicta in *Buti*. See 139 F.3d at 104 n. 2. The district court in *Buti* had considered the famous marks doctrine, although it concluded that the mark in question was insufficiently famous to trigger the doctrine. See *Buti v. Perosa, S.R.L.*, 935 F.Supp. 458, 473-74 (S.D.N.Y. 1996).

A Secondary Meaning Level of Recognition Is Required For A Mark to be Famous

This court has held that the relevant question is "whether the Cuban COHIBA was 'so famous that its reputation [was] known in the United States' and thus 'should be legally recognized in the United States.'" *Empresa IL*, 213 F.Supp.2d at 285 (quoting *Grupo Gigante*, 119 F.Supp.2d at 1089). It was not decided, however, what level of renown is required to establish a known reputation.

The available case law does not provide a consistent standard to determine whether a mark is famous within the meaning of the famous marks doctrine. Several TTAB decisions, however, cite the requirement that the mark must be famous "within the meaning of *Vaudable v. Montmartre*." See, e.g., *Mother's Restaurant*, 218 U.S.P.Q. at 1048; *All England Lawn Tennis*, 220 U.S.P.Q. at 1072. See also *Buti*, 139 F.3d at 104 n. 2 (citing the *Vaudable* standard). In *Vaudable*, the owner and operator of Maxim's restaurant in Paris sought to restrain defendants from opening a restaurant in New York City using the same name. See 20 Misc.2d at 758, 193 N.Y.S.2d 332. Its fame is described as follows:

It received wide publicity as the setting of a substantial portion of Lehar's operetta, "The Merry

Widow," has been the subject over a long period of years of numerous newspaper and magazine articles, and has been mentioned by name and filmed in movies and television. There is no doubt as to its unique and eminent position as a restaurant of international fame and prestige. It is, of course, well known in this country, particularly to the class of people residing in the cosmopolitan city of New York who dine out.

Id. This level of fame was not, however, required for the court to find that plaintiff's mark entitled to protection. In response to defendant's argument that the name Maxim's had originally become famous as a name of both a "smokeless powder" and a machine gun, the court held that it is not the source of the name that is relevant, but "the origination and development of its use in a particular field which may entitle the user thereof to protection by virtue of the secondary meaning acquired therein." *Id.* at 758-59, 193 N.Y.S.2d 332 (emphasis added). As shown below, a mark which has achieved secondary meaning standard need not have achieved a "unique and eminent position" internationally, or in the United States.

Secondary meaning is a characteristic of descriptive marks, that is, marks that describe the product in some way, rather than of arbitrary or fanciful marks such as COHIBA. Secondary meaning

is used generally to indicate that a mark or dress "has come through use to be uniquely associated with a specific source." *Restatement (Third) of Unfair Competition* § 13, Comment (Tent. Draft No. 2, Mar. 23, 1990). "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature

or term is to identify the source of the product rather than the product itself."

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 766 n. 4, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11, 102 S.Ct. 2182, 2187, n. 11, 72 L.Ed.2d 606 (1982)). The secondary meaning standard can, however, be applied by analogy to distinctive marks such as COHIBA because some of the measures of secondary meaning can be appropriately applied to descriptive and distinctive marks. District courts considering the degree of fame needed to satisfy the famous marks doctrine have used a secondary meaning standard. See *Grupo Gigante*, 119 F.Supp.2d at 1091; *Buti*, 935 F.Supp. at 473-74 (because defendant failed to offer admissible evidence of "any secondary meaning of its [trademark] in the United States . . . the Court cannot find the *Vaudable* exception applicable here.").

While Cubatabaco agrees that the secondary meaning inquiry may be partially analogous to the question of the level of fame needed to establish that a mark is protectable under the famous marks doctrine, it argues that less renown should be required under the famous marks doctrine because the secondary meaning standard is applied to restrict the use of a descriptive term that other producers would have a legitimate reason to use. In the case of a distinctive mark such as COHIBA, by contrast, no other producer would have a legitimate reason to use the mark. While Cubatabaco raises a cogent distinction, it fails to mention, however, that the secondary meaning standard is applied in the domestic context and the famous marks doctrine is applied internationally. Because the famous marks doctrine carves out an exception to the well settled territoriality principle, and may result in the cancellation of a trademark by the domestic

registrant even though the foreign user neither filed its own registration nor contested the domestic user's registration, there is no justification for requiring less renown than the secondary meaning standard.

General Cigar argues that the appropriate standard is the statutory standard for fame contained in the Federal Trademark Anti-Dilution Act ("FTDA"), 15 U.S.C. 1125(c). The FTDA protects only those marks that have shown "a substantial degree of fame." *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 99 (2d Cir. 2001). The legislative report on the FTDA used as examples "Dupont, Buick, and Kodak . . . marks that for the major part of the century have been household words throughout the United States." *Id.* (citing H.R.Rep. No. 104-374, at 3 (1995)). While a legislative report is not dispositive as to the standard of fame required, the Second Circuit found it improbable that Congress intended to confer anti-dilution protection on "marks that have enjoyed only brief fame in a small part of the country, or among a small segment of the population . . ." *Id.* As shown below, in November 1992 the COHIBA mark could not meet the standard for fame under the FTDA.

General Cigar makes no argument for why the standard for anti-dilution actions should be applicable in the context of the famous marks doctrine, except for the empirical observation that "[t]he FTDA standard for fame is consistent with cases analyzing fame under the well-known marks doctrine." Def.'s Post-Trial Mem. at 17. Each of the cases cited by General Cigar draw on the *Vaudable* standard which, as shown above, requires a showing of secondary meaning and not a "substantial degree of fame."

There are a number of reasons why the FTDA standard is inappropriate in the context of the famous marks doctrine. As noted in the leading treatise on trademarks,

"[t]he international 'famous marks' doctrine developed outside the United States and addresses an issue of trademark protection that is significantly different from that of dilution." 4 *McCarthy*, § 24:92 at 24-166 n.1. The primary purpose of the FTDA is to protect marks with regard to use on dissimilar goods. See H.R.Rep. No. 104-374, at 3, reprinted in 1995 U.S.C.C.A.N. 1029, 1030 ("Thus for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under [the FTDA]."). The protection available under the FTDA is much greater. "It permits the owner of a qualified, famous mark to enjoin junior uses throughout commerce, regardless of the absence of competition or confusion." *TCPIP*, 244 F.3d at 95 (citing 15 U.S.C. § 1127). Accordingly, "the standard for fame and distinctiveness required to obtain anti-dilution protection is more rigorous than that required to seek infringement protection." *Id.* (quoting *I.P. Lund Trading v. Kohler Co.*, 163 F.3d 27, 47 (1st Cir. 1998)).

Leading commentators have suggested standards that are comparable to the secondary meaning standard used in *Vaudable* and *Grupo Gigante*. *McCarthy* argues that

If a mark used only on products and services sold abroad is so famous that its reputation is known in the United States, then that mark should be legally recognized in the United States. If a junior user were to use a mark in the United States that is confusingly similar to the foreign famous mark, then there would, by definition, be a likelihood of confusion among United States customers.

4 *McCarthy*, § 29:4 at 29-10. Further commentary strongly suggest that the "known reputation" standard for fame is significantly lower than the FTDA's. In reference to the *Vaudable* case, *McCarthy* states that the

famous mark rule may be interpreted "as not constituting an exception to the general rule at all, since it could be said that the foreign service business had already established priority in the United States through advertising and reputation prior to the defendant's opening." *Id.* The footnote to this sentence cites to another section of the treatise that discusses the *Tea Rose-Rectanus* doctrine. Under the doctrine, "priority of use of a mark in one area of the United States does not give rights to prevent its use by a good faith and innocent user in a remote geographic area." *Grupo Gigante*, 119 F.Supp.2d at 1090 (citing *McCarthy* § 26:2). There is an exception, however, "when a senior user located in one area of the United States has achieved an appreciable level of fame in the junior user's trading area." *Id.*

While *McCarthy* states that the *Tea Rose-Rectanus* doctrine does not apply outside the United States, see § 26:5 at 26-12, the citation to the doctrine in the discussion of the famous marks doctrine suggests that the *Tea Rose-Rectanus* doctrine may provide guidance in applying the famous marks doctrine. See *Grupo Gigante*, 119 F.Supp.2d at 1090 (finding the *Tea Rose-Rectanus* doctrine "helpful in delineating the famous mark doctrine."). The *Grupo Gigante* court drew on the doctrine for the purpose of restricting the fame of the mark at issue to the geographical area of the United States where the plaintiffs sought protection. *Id.* at 1090-91. That aspect of the doctrine is not relevant in the instant case because premium cigar smokers are spread throughout the United States. Instead, the reference to the *Tea Rose-Rectanus* doctrine in *McCarthy*'s discussion of the famous marks doctrine suggests that Cubatabaco need only show that the COHIBA mark had a "known reputation" to premium cigar smokers in November 1992.

This standard is consistent with the secondary meaning standard from *Vaudable*, discussed above.

Factors To Be Assessed In Determining COHIBA's Fame in November 1992

The same factors which are used in the caselaw in determining whether a trademark has established a secondary meaning will obviously be critical in determining whether COHIBA was famous within the meaning of the famous marks doctrine. However, other factors have also been suggested in an international document which has been endorsed by the United States. The Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (the "Joint Recommendation") has been adopted by both intergovernmental bodies concerned with trademark protection: the General Assembly of the World Intellectual Property Organization ("WIPO") and the Assembly of the Paris Union.⁹ It identifies factors relevant to determining whether a mark is well-known:

Determination of Whether a Mark is a Well-Known Mark in a Member State

(1) [Factors for Consideration]

- (a) In determining whether a mark is a well-known mark, the competent authority shall take into account any circumstances from which it may be inferred that the mark is well known.
- (b) In particular, the competent authority shall consider information submitted to it with

⁹ The Assembly of the Paris Union is the group of nations that are signatories to the Paris Convention. See Paris Convention art. 1(1). It includes both Cuba and the United States.

respect to factors from which it may be inferred that the mark is, or is not, well known, including, but not limited to, information concerning the following:

1. the degree of knowledge or recognition of the mark in the relevant sector of the public;
2. the duration, extent and geographical area of any use of the mark;
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;
6. the value associated with the mark.

(c) The above factors, which are guidelines to assist the competent authority to determine whether the mark is a well-known mark, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may

be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in subparagraph (b), above. Such additional factors may be relevant, alone, or in combination with one or more of the factors listed in subparagraph (b), above.

The WIPO factors do not provide guidance as to what level of fame is required to find that a mark is well-known. However, they do suggest that the inquiry into fame must be wide-ranging, taking into account any available relevant evidence.

The factors to be considered in determining secondary meaning in this Circuit are similarly wide-ranging. They include "(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and, (6) length and exclusivity of the mark's use." *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 143 (2d Cir. 1997) (quoting *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1221 (2d Cir. 1987)).

Factors relating to advertising and sales will be of minimal relevance because of the inability to sell Cuban COHIBA cigars. The sixth factor is also not relevant to the instant litigation, as it has been previously determined that the COHIBA mark was in the public domain in November 1992 following General Cigar's abandonment of the mark. Accordingly, the determination of whether the fame of the COHIBA mark is equivalent to the secondary meaning standard for recognition will rest largely, but not exclusively, on the three remaining factors.

1. *Consumer Studies*

Evidence from consumer surveys rarely provides the sole evidence of secondary meaning. See 5 *McCarthy*, § 32:190 at 32-315 ("survey data is not a requirement, and secondary meaning can be, and often is, proven by circumstantial evidence.") A survey of the caselaw, then, cannot provide a magic number above which secondary meaning may be established. Further, different surveys are taken in different contexts, with different questions and measurement techniques. Nevertheless, they provide a rough estimate of the level of recognition required.

In *Grupo Gigante*, the court dismissed the probative-ness of two of the three pieces of evidence put forward by plaintiffs in showing the renown of their foreign mark, leaving only a survey conducted one year prior to defendant's use of the mark. See *Grupo Gigante*, 119 F.Supp.2d at 1092-93. Upon a showing that 20-22% of the relevant public was aware of plaintiff's mark, the court found that the secondary meaning standard was met, and that plaintiff's mark was protectable. *Id.* The court made this determination by drawing on caselaw on likelihood of confusion, after citing the argument from *McCarthy* that "there is no logical reason to require [a] higher percentage to prove secondary meaning than to prove likelihood of confusion." *Id.* (citing 5 *McCarthy*, § 32:190).

In the Second Circuit, survey data showing 50% or greater recognition has generally been required to establish secondary meaning. See *Harlequin Enters. Ltd. v. Gulf & Western Corp.*, 644 F.2d 946, 950 n. 2 (2d Cir. 1981) (50% recognition of publisher's name properly found probative but "not conclusive" of secondary meaning); *RJR Foods, Inc. v. White Rock Corp.*, 201 U.S.P.Q. 578, 581 (S.D.N.Y. 1978) (66% recognition supported finding of secondary meaning), *aff'd* 603 F.2d

1058 (2d Cir. 1981); *Essie Cosmetics, Ltd. v. Dae Do Int'l, Ltd.*, 808 F.Supp. 952, 955, 960 (S.D.N.Y. 1992) (65% recognition provided "ample evidence" that trade dress had acquired secondary meaning). General Cigar cites *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F.Supp. 670, 689-90 (S.D.N.Y. 1963) for the proposition that 25% recognition is insufficient to establish secondary meaning. However, the court did not treat the 25% survey figure as indicative of the actual level of awareness because the survey was taken three years after the relevant date, and because the survey also showed that nearly as many respondents identified the trade dress with another producer. General Cigar also cites the testimony of Cubatabaco's expert, Ossip, to the effect that 50% awareness is required to find a trademark well-known. While Ossip's expertise in brand recognition is noted by the Court, his opinions as to legal standards carry no weight.

General Cigar has not argued that the promotion of its COHIBA mark from 1981-1987 would have resulted in any residual fame of the COHIBA mark in November 1992. Indeed, General Cigar's position is that the mark was virtually unknown at that time. Accordingly, any consumer studies which may be useful for determining the November 1992 level of fame would be measuring the level of fame of the Cuban COHIBA.

The absence of any consumer studies from the relevant period necessitates making inferences from surveys conducted both beforehand and afterward. The Shanken Survey, conducted in December 1991, shows a low level of trial awareness of COHIBA. COHIBA is mentioned by only 1.1% of respondents when asked about the brand of cigar normally smoked. The most impressive result is the 6% of respondents who spend more than \$3.50 per

cigar who named COHIBA as the finest cigar they had smoked.

The Shanken Survey is deeply flawed, however, for it takes no measure of either unaided or aided awareness, and focuses only on those cigars actually smoked. Given the extraordinary difficulty of obtaining a Cuban COHIBA, the results are entitled to little weight. The survey also underestimates the renown of the mark in November 1992 because it was taken before the considerable publicity that COHIBA received around the time of the premiere issue of *Cigar Aficionado*.

The next survey was not reported until September 1994, although it likely was administered somewhat earlier. That survey reported an unaided awareness figure of 14.5% for COHIBA, and a trial awareness of 18.5%. Unfortunately, aided awareness was not tested. Cubatabaco's expert, Ossip, has used the average differential between unaided and aided awareness for other brands to estimate that COHIBA's aided awareness should be approximately 48-52% greater than the unaided awareness figures. General Cigar's expert, Simonson, counters with the *reductio ad absurdum* argument that an entirely unknown brand, with 0% unaided awareness, would still score at least 48% aided awareness. Simonson is unpersuasive on this point, however, because Ossip has compared COHIBA to the other brands surveyed using a number of methods which demonstrate that COHIBA is not an outlier brand whose aided awareness figures should be expected to differ significantly from the others. Although it is impossible to determine a particular figure from the data presented, Ossip has shown persuasively that COHIBA's aided awareness in September 1994 is significantly higher than its 14.5% unaided awareness for that period.

It is also impossible, from survey evidence alone, to determine whether COHIBA's level of renown is closer to the September 1994 survey or the December 1991 survey. Other evidence is required to determine this question.

2. *Unsolicited Media Coverage*

With the exception of the coverage related to the launch of *Cigar Aficionado*, the 46 articles mentioning COHIBA between 1986 and 1992 are minimally probative of the level of recognition of the mark in November 1992. Because the relevant public is the premium or super-premium cigar smoker, which numbered approximately half a million in 1992, mentions of the product in general circulation publications would not be expected. Mentions of COHIBA during this period, however, are quite favorable, referring to the cigar either as Fidel Castro's preferred brand (until he quit smoking), or as the best of the Cuban cigars.

The coverage of COHIBA in first *The Wine Spectator* and then *Cigar Aficionado* cannot be considered entirely unsolicited, given the cozy relationship that has been described between Cubatabaco's marketing department and the editorial staff of *Cigar Aficionado*, which shares editorial staff with its sister publication. However, even if the COHIBA-related articles published in both magazines are "puff pieces," they have undeniably generated positive publicity for the brand. The Cuban COHIBA received the strongest possible endorsement in the premiere issue of *Cigar Aficionado*. Praise for COHIBA in the premiere issue also spilled over into magazines with wider circulation, such as *Forbes*, *Newsweek*, and the *Dallas Morning News*.

Cubatabaco argues that the circulation figures of *Cigar Aficionado* demonstrate that 25% of the premium

cigar smokers in the United States were aware of COHIBA because of the premiere issue. Such an inference is not warranted given that some issues may have been received by those who do not smoke cigars, and the issue may have been unread by others. Cubatabaco also argues that a premiere issue of a magazine would have strong "pass-along" readership. While the publication and distribution of the premiere issue, by itself is not sufficient to establish a 25% awareness of the COHIBA brand, it is undoubtedly probative evidence that awareness increased significantly from the time when the Shanken Survey was administered.

3. *Attempts to Plagiarize the Mark*

General Cigar argues that because Cubatabaco did not have a protectable mark in 1992, any evidence of copying cannot be used to establish secondary meaning. It is true that "[p]roof of intentional copying, by itself, does not trigger any presumption of secondary meaning under Second Circuit precedent." *Kaufman & Fisher Wish, Ltd. v. F.A.O. Schwarz*, 184 F.Supp.2d 311, 319 (S.D.N.Y. 2001). General Cigar urges an even stronger holding, namely that intentional copying is irrelevant if the trademark is not protectable. See *Ergotron, Inc. v. Hergo Ergonomic Support Systems, Inc.*, No. 94 Civ. 2732, 1996 WL 143903, at (S.D.N.Y. 1996). However, *Ergotron* found evidence of copying irrelevant because the trade dress in question was not distinctive and because the defendant believed it was copying only functional features. *Id.* Because COHIBA is a distinctive mark, evidence of copying may be probative.

Also inapposite is *Person's Co. v. Christman*, 900 F.2d 1565, 1570 (Fed.Cir. 1990), in which the court found that deliberate copying of a foreign trademark did not establish bad faith on the defendant's part. The bad faith

inquiry is distinct from an inquiry into fame or secondary meaning, and the *Person's* court had already established that the plaintiff's company "had no goodwill and the 'PERSON'S' mark had no reputation here." *Id.* at 1569-70. The Second Circuit has held that "imitative intent can help support a finding of secondary meaning." *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1042 (2d Cir. 1992). Accordingly, General Cigar's intentions, as well as its statements made at the time it was reintroducing the mark, will be considered as evidence of secondary meaning.

Because General Cigar had abandoned the COHIBA mark in 1992, *see Empresa II*, 213 F.Supp.2d at 271, the decision to use the name again in 1992, by itself, provides strong evidence of intentional copying. General Cigar argues that it used the COHIBA name at least in part because Cubatabaco, through Garrido, acknowledged that it did not own the U.S. rights to COHIBA. Even if Garrido had said something to that effect, it would not demonstrate that General Cigar was not plagiarizing the COHIBA mark for purposes of the secondary meaning inquiry, in view of the facts found above to the contrary.

Beyond the evidence of fame provided by the mere fact of the adoption of the COHIBA name, there is further evidence that the decision to reintroduce the COHIBA brand was connected with the fame of the COHIBA mark. General Cigar made the decision in part to capitalize on the success of the Cuban COHIBA brand and especially the good ratings and the notoriety that it had received in *Cigar Aficionado*. According to General Cigar, the choice of the COHIBA name reflected not the fact that the brand was famous in November 1992, but that the brand would grown in prominence as a result of

the publicity and the high rankings it was given in *Cigar Aficionado*.

Contemporaneous statements from General Cigar, however, demonstrate that it regarded the brand as well-known at that time. The January 14, 1993 memo from Milstein to General Cigar executives states that the rationale for seeking permission from Cubatabaco to use the COHIBA trade dress is "[t]o aid GC in successfully repositioning and relaunching its Cohiba brand cigar, it would be useful to exploit the popularity, familiarity, brand recognition and overall success of the Cuban Cohiba." PX 1084. General Cigar argues that this referred to the success of the brand outside the U.S., and that in any case the memo reflected talking points to be used with Cubatabaco, and was therefore designed to be flattering. While the context of the memo diminishes its probativeness as an indicator of fame, it is not true, as General Cigar argues, that it shows only "that the Cuban COHIBA was prominent in the minds of General Cigar executives." Def.'s Mem. at 10. It is unlikely that General Cigar based its exploitation strategy on such an extremely constricted sense of popularity, familiarity and brand recognition.

The strategy document "Marketing the Cohiba Cigar," PX 966, prepared either by McCaffery, Ratner, or General Cigar, similarly describes COHIBA as "the magic word in the cigar industry," and as having "a high recognition factor here in the U.S. despite the fact that it cannot be purchased in the country." *Id.* General Cigar argues that the document was written by someone with little knowledge of the cigar industry, and that it was created at a time when General Cigar's management were heavily focused on the Cuban COHIBA and the ratings it had received in *Cigar Aficionado*. As with the Milstein memo, these circumstances diminish the import

given to the claims made about the fame of the COHIBA. However, because McCaffery, Ratner and General Cigar would have no reason to misrepresent the fame of the Cuban COHIBA in these documents, they provide an important perspective on the renown of the Cuban COHIBA to premium cigar smokers in late 1992.

In March 1994, a buyer for Dunhill described the General Cigar COHIBA as selling "very well simply because of the strength of the [Cuban COHIBA] name." PX 899. The buyer also described the Cuban COHIBA as "the most legendary cigars in the U.S. market where they cannot legally be purchased." *Id.* While the fact that Dunhill was the exclusive retailer for the General Cigar COHIBA may lead to some exaggeration, the remainder of the letter does not uniformly praise every cigar brand. Its assessment of the fame of the brand in March 1994 and, implicitly, some time before that, is entitled to some weight.

Advertisements by Dunhill of the General Cigar COHIBA at time refer to its Cuban counterpart as the "Cuban legend," PX 335, and "this celebrated range of Cuban origin." PX 1153. More than any internal document, a public advertisement is likely to overstate the prestige and recognition of the brand with which it attempts to create an association. However, the COHIBA name must resonate with premium cigar smokers in order for such an advertising strategy to be effective.

In light of the credible evidence presented by Cubatabaco of the level of renown of the COHIBA name in November 1992, it is concluded that the COHIBA trademark achieved a level of fame consistent with secondary meaning as described in *Vaudable* and other cases. The COHIBA mark is therefore famous within the meaning of the famous marks doctrine, and it is con-

cluded that Cubatabaco had a legally protectable right to the mark at that time.

A Likelihood of Confusion Exists Between the Cuban COHIBA and the General Cigar COHIBA

In *Empresa II*, this Court held that, for the purposes of Cubatabaco's motion to dismiss General Cigar's equitable defenses, "Cubatabaco's claim of likelihood of confusion is . . . not brought into reasonable doubt." 213 F.Supp.2d at 275 (internal quotations omitted). Both parties have submitted further evidence to show that there is, or is not, a likelihood of confusion. After considering those submissions, at trial and afterward, it is concluded that the evidence supports the prior ruling that there is a likelihood of confusion between the Cuban COHIBA and the General Cigar COHIBA.

The standard test for confusion in this Circuit is laid out in *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). The factors are: (1) the strength of the plaintiff's mark; (2) the similarity of the plaintiff's and defendant's marks; (3) the comparative proximity of the services; (4) the likelihood that plaintiff will "bridge the gap" and offer a service like defendants; (5) actual confusion; (6) good faith on the defendant's part; (7) the quality of the defendant's service; and (8) the sophistication of the buyers. See also *Estee Lauder, Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997); *Empresa II*, 213 F.Supp.2d at 274. The *Polaroid* factors are "not dispositive, and additional factors may be considered or initial factors abandoned." *Gruner & Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1077 (2d Cir. 1993).

General Cigar acknowledges that if the Cuban COHIBA were currently available in the U.S., the fact that both products have the same name and both are

cigars would, as a practical matter, "end the inquiry under the *Polaroid* test." Def.'s Post-Trial Mem. at 46 n.24. It argues, however, that the embargo against Cuban goods casts the analysis in an entirely different light. Because the embargo has been in place for four decades, General Cigar argues, consumers are highly aware that cigars sold in the U.S. are not made in Cuba and contain no Cuban tobacco.

The embargo significantly changes the *Polaroid* analysis. When two marks are identical and are used for the same product in the same market, consumer confusion is "inevitable." *Empresa II*, 213 F.Supp.2d at 274 (collecting cases). The unavailability of the Cuban COHIBA makes the issue of confusion a closer call. In addition, not all forms of consumer confusion are relevant in the context of a trademark infringement action. "[T]rademark infringement protects only against mistaken purchasing decisions and not against confusion generally." *Lang v. Retirement Living Publishing Co.*, 949 F.2d 576, 583 (2d Cir. 1991). General Cigar argues that, to the extent that consumers may have mistaken impressions about past or present relations between the Cuban COHIBA and the General Cigar COHIBA, such confusion is unrelated to purchasing decisions.

In particular, General Cigar argues that "[a] consumer who mistakenly believes that the maker of the General Cigar COHIBA had once been affiliated with the maker of the Cuban COHIBA does not buy it under the misapprehension that it is produced or sponsored by Cubatabaco." Def.'s Post-Trial Reply Brief at 33. General Cigar provides no support for this proposition. As previously noted by this Court, "the embargo does not prevent a Cubatabaco-sponsored cigar from being sold in the United States under similar circumstances." *Empresa II*, 213 F.Supp.2d at 275 (citing 31 C.F.R. §§ 515.204;

515.302-303); see also *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir. 1979) ("The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement.").

In order for confusion between the two brands to be relevant in the present litigation, there must be a significant risk that the consumer will make a purchasing decision based not on the goodwill or reputed quality of the General Cigar COHIBA but on the mistaken association with the Cuban COHIBA, a brand with a reputation as being one of the best cigars in the world. See e.g., *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 395 (2d Cir. 1986) ("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the good manufactured and sold under the holder's trademark."); 1 *McCarthy*, § 3-2 at 3-3 (among the functions which trademarks perform is "[t]o signify that all goods bearing the trademark are of an equal level of quality."). While it is true that a misapprehension as to historical lineage does not, by itself, necessarily imply that the consumer will believe that the quality of the Cuban COHIBA is imparted to the General Cigar COHIBA, such confusion is certainly possible. In examining the likelihood of confusion under the *Polaroid* factors, that possibility must be considered.

1. *Strength of Plaintiff's Mark*

The strength of a trademark encompasses both the mark's inherent distinctiveness, or its arbitrariness in relation to the product for which it is used, and its "acquired distinctiveness," or "the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition." *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141, 147 (2d Cir. 2003).

Cubatabaco's COHIBA mark is arbitrary or fanciful for use on cigars. *See General Cigar Co. v. G.D.M., Inc.*, 988 F.Supp. 647, 660 (S.D.N.Y. 1997) ("It seems doubtful that prospective purchasers of COHIBA cigars . . . would make the association between the mark and the word in a language spoken by the indigenous population of the Dominican Republic."). Further, the Cuban COHIBA also has significant acquired distinctiveness. The findings above detail the fame of the mark in November 1992. By the time of the introduction of the super-premium COHIBA by General Cigar in 1997, as Cullman, Jr. testified, "the Cuban Cohiba was certainly well-known." Tr. 1103. The strength of Cubatabaco's COHIBA mark weighs toward a likelihood of confusion.

2. *Similarity Between the Two Marks*

Because Cubatabaco has alleged infringement only of the COHIBA word mark, the fact that the two marks are identical also weighs toward a likelihood of confusion. Further weighing toward confusion is the testimony of Mark Perez, a buyer for Dunhill, who acknowledged the statement he had made in previous litigation by General Cigar with respect to infringement of the COHIBA mark by a company selling cigars in the U.S., that "the name is what people attach to the product, not necessarily the band or the trade dress. The name is the most important thing that drives consumers I believe ." Perez Dep. at 455-56. *See also Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F.Supp. 96, 128 (S.D.N.Y. 1989) ("As courts have long recognized, consumers ask for a product by its name, not its logo.").

3. *The Proximity of the Products*

The fact that both Cubatabaco and General Cigar both produce COHIBA cigars clearly weighs in favor of confusion. *See id.* at 127 ("the products are more than confusingly similar—they are identical—and thus consumer confusion is inevitable") (citing *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47-48 (2d Cir. 1978)). However, because the two products do not compete with each other in the U.S. limits the proximity under this factor. But the competitive limitation is not sufficient to weigh against a likelihood of confusion, or even to neutralize the factor. The relevant consideration is whether the proximity of the products in the mind of the consumer will lead that consumer to make a purchasing decision based on that proximity. Consumer confusion is not limited to the belief that Cubatabaco or the Cuban government controls the content of the General Cigar COHIBA. An imagined informal present or past arrangement may, nevertheless, suggest to the consumer that the quality of the Cuban COHIBA is to be found in the General Cigar COHIBA.

Advertisements for the General Cigar COHIBA from 1992 to the present imply that the quality of the Cuban COHIBA will carry over to the General Cigar COHIBA. A pre-1997 Dunhill catalog advertised the General Cigar COHIBA as the "[r]ightful heir to the Cuban legend." PX 335, while JR Cigars, which holds over a third of the retail premium cigar market, described it as "a flavorful Dominican version of this classic Cuban cigar." PX 276. Cubatabaco has produced evidence of numerous other similarly misleading advertisements. "The way that a challenged mark is used in advertising is highly probative of whether it is likely to cause confusion." *McCarthy*, § 23:58; *see also Sports Authority*, 89 F.3d at 962-63 (considering use of marks in advertising).

General Cigar's actions against the Cuban COHIBA and against third parties using the COHIBA name also provide evidence that the trade dress of the Cuban COHIBA, and even a Cuban designation of origin, is not sufficient to differentiate the products. The possibility of confusion between General Cigar COHIBAs and cigars with no designation of origin or a Dominican designation are not relevant to the proximity analysis. However, General Cigar has taken as well as threatened legal action against several parties using the COHIBA name in the United States, even though many of the products of which General Cigar complained bore the designation "La Habana, Cuba." General Cigar has made no distinction between the origins of designation on the products, contending that they all infringe on General Cigar's trademark. General Cigar's in-house counsel also testified that advertising for the Cuban COHIBA in *Cigar Aficionado* in 1992 and 1993 might lead a consumer to "be confused that this is the General Cigar COHIBA sold in Dunhill, and it isn't." Wollen Dep. at 303.

General Cigar argues that the "red dot" in the "O" in COHIBA will serve to dispel confusion, as will tobaccoists who encounter confused consumers. These minimal measures are insufficient to counteract the proximity that is created by the use of the same brand name on the same product. Accordingly, this factor weighs toward likelihood of confusion.

4. *Likelihood that Plaintiff Will "Bridge the Gap"*

Cubatabaco argues that because the parties already offer the same product, "there is no gap to be bridged." *Banff v. Federated Dept. Stores, Inc.*, 841 F.2d 486, 492 (2d Cir. 1988). Such an argument ignores the effect of the embargo, which currently prevents Cubatabaco from

offering a product like the defendant's in the U.S. market.

In *Empresa II*, it was held that "[t]he likelihood of Cubatabaco 'bridging the gap' and entering the U.S. cigar market is dependent upon whether the political tide will shift to bring an end to the Cuban embargo." 213 F.Supp.2d at 275. At that time, it was projected that "the end of the embargo appears more likely now than in the past." *Id.* Cubatabaco has provided indirect evidence of the eventual end of the embargo in the form of the substantial numbers of registrations by U.S. corporations of their trademarks in Cuba. See PX 1099, 1115 (listing trademarks registered in Cuba). Cubatabaco argues that such registrations show that these corporations consider the prospects for future trade with Cuba to be significant.

The relevant consideration for this factor, however, is not when the embargo will end but whether Cubatabaco will enter the U.S. market once the embargo has ended. See *Katz v. Modiri*, 283 F.Supp.2d 883, 896 (S.D.N.Y. 2003) ("If a trademark owner intends to enter the same market as the defendant, 'such a showing is indicative of future likelihood of confusion as to source.'") (quoting *Jordache Enterprises, Inc. v. Levi Strauss & Co.*, 841 F.Supp. 506, 517 (S.D.N.Y. 1993)). It was held previously that in the event the embargo is lifted, "Cubatabaco will almost definitely bridge the gap," *Empresa II*, 213 F.Supp.2d at 275, and the above findings of fact after the trial confirm that conclusion. Accordingly, this factor weighs towards likelihood of confusion.

5. Actual Confusion

"Actual confusion is defined as the likelihood of consumer confusion that enables a seller to pass off his

goods as the goods of another." *1-800 Contacts, Inc. v. WhenU.com*, No. 02 Civ. 8043, 2003 WL 22999270, at (S.D.N.Y. Dec.22, 2003) (citing *W.W.W. Pharm. Co., Inc. v. Gillette Co.*, 984 F.2d 567, 574 (2d Cir. 1993)). However, "it is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source." *Id.* (quoting *Lois Sportswear, Inc. v. Levi, Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986)).

Cubatabaco has presented several instances of anecdotal actual confusion. The 1998 Cambridge Group report, based on focus groups and not on statistically significant surveys, found that there was "serious consumer confusion" between the Cuban and Dominican COHIBAs. It cited one focus group participant, who believed that there were "two brothers, one who makes COHIBA in Cuba and the other in the Dominican Republic."

The 2000 survey conducted by Cubatabaco's expert also demonstrated a significant degree of confusion among consumers: among those who had heard of COHIBA, approximately 21% were confused as to the source of the products, and approximately 15% of all premium cigar consumers were confused. Comments from the respondents indicate that some believed that COHIBA was a parallel brand which was expropriated by Castro, where the original makers then immigrated to the Dominican Republic and produced cigars there.

"Proof of actual confusion, in the form of market research survey evidence, is highly probative of the likelihood of consumer confusion, 'subject to the condition that the survey must . . . have been fairly prepared and its results directed to the relevant issues.'" *1-800 Contacts*, 2003 WL 22999270, at * 23 (quoting *Schieffelin &*

Co. v. Jack Co. of Boca, Inc., 850 F.Supp. 232, 245 (S.D.N.Y. 1994)). General Cigar's expert, Simonson, argues that the survey is flawed because Ossip used "gender balancing" to compensate for the disproportionate response to the survey by female cigar smokers. However, gender balancing is appropriate to model the results on the actual premium cigar population. Simonson also claims that Ossip misleadingly showed the two cigar brands side by side. Such an approach is not inaccurate: at trial, Cubatabaco showed Simonson examples of internet advertising that depicted or described the two brands side by side, as in the survey, and he acknowledged that such advertisements followed the approach of the survey. Tr. 1160-1163.

Figures comparable to those in the 2000 survey have been found probative of a likelihood of confusion. See *RJR Foods*, 603 F.2d at 1061 (finding "evidence from two witnesses who were actually confused . . . together with the results of a consumer study showing a fifteen to twenty percent rate of product confusion" probative of actual confusion). General Cigar cites *Girl Scouts of U.S. of America v. Bantam Doubleday Dell Pub. Group*, 808 F.Supp. 1112, 1128 (S.D.N.Y. 1992), which found a survey showing 12.6% confusion between the Girl Scouts and a book series bearing the title "Pee Wee Scouts" insufficient to demonstrate actual confusion. The *Girl Scouts* court, however, used a more stringent standard for actual confusion in light of the First Amendment concerns implicated in restricting artistic expression. It interpreted the survey evidence as the Second Circuit did in *Rogers v. Grimaldi*, 875 F.2d 994, 1000 (2d Cir. 1989), in which it was held that courts "need not interpret the Act to require that authors select titles that unambiguously describe what the work is about nor to preclude them from using titles that are only

suggestive of some topics that the work is not about." The standards for actual confusion with respect to book titles are therefore of little relevance in assessing confusion between cigar brands.

Cubatabaco has presented survey evidence as well as anecdotal evidence of actual confusion between the Cuban COHIBA and the General Cigar COHIBA. Accordingly, this factor weighs toward likelihood of confusion.

6. *Good Faith on the Defendant's Part*

This factor considers whether the defendant "adopted plaintiff's marks with the intention of capitalizing on the plaintiff's reputation and goodwill and any confusion between [it] and the senior user's product." *Nora Beverages, Inc. v. Perrier Group of America, Inc.*, 269 F.3d 114, 124 (2d Cir. 2001) (quoting *Lang*, 949 F.2d at 583).

General Cigar concedes that its development of the COHIBA brand in 1992 was an attempt "to somehow capitalize on the success of the Cuban brand." Milstein Dep. at 284. If Cubatabaco was unambiguously the senior user of the mark at that time, that admission would be sufficient to establish General Cigar's bad faith. The central question, however, is whether General Cigar believed it was the senior user of the mark when it resumed use in November 1992. *See Person's*, 900 F.2d at 1569 ("[D]efendant is the senior user, and we are aware of no case where a senior user has been charged with bad faith. The concept of bad faith adoption applies to remote junior users seeking concurrent use registrations . . ."). Although it has been determined that General Cigar was not the senior user in November 1992 because of the operation of the famous marks doctrine, the evidence is not sufficient to show that General Cigar's failure to recognize that fact was in bad faith.

General Cigar first applied to register the COHIBA mark in 1978, before Cubatabaco sold COHIBA cigars outside of Cuba. It also began selling the COHIBA-branded "White Owl" cigars in 1978, and in 1982 placed the COHIBA brand on its Canario D'Oro premium cigar. See *Empresa II*, 213 F.Supp.2d at 257-258. While General Cigar executives were aware of the Cuban brand, and of Cubatabaco's intent to develop its brands for the international market after the embargo, there is insufficient evidence to show that COHIBA was well-known then. The USPTO issued a registration in February 1981. During the period of General Cigar's sale of its COHIBA-branded cigars from 1978 to 1987, Cubatabaco made no objection to General Cigar's use of the mark. Nor did Cubatabaco take any action to register the mark following the five-year period in which General Cigar made no sales under the COHIBA name, from 1987 to 1992.

The only indication that General Cigar had by late 1992 and early 1993 that it may not have been the senior user came from its trademark counsel, Morgan & Finnegan. Morgan & Finnegan first assured General Cigar that because "it is doubtful that Cubatabaco's COHIBA product was known to any significant number of purchasers [in 1978], especially not in the United States," the 1981 registration created a valid trademark right. PX 834. In its draft opinion letter, Morgan & Finnegan discussed the presumption of abandonment from two or more years of non-use, and opined that

there may have been several such periods of abandonment since Culbro/General Cigar filed the application for the COHIBA mark in 1978 and/or since the registration issued in 1981. Moreover, if General Cigar's COHIBA mark has not been used for over

two years up until the present, it may be deemed to be abandoned now.

Id. Abandonment, by itself, would not be sufficient to make Cubatabaco the senior user, because General Cigar's resumption of the mark in 1992, along with its second registration application, could re-establish its rights to the mark. Marcus, the attorney at Morgan & Finnegan in charge of the relationship between his law firm and General Cigar, testified that the concern expressed in the letter about possible abandonment was based on the incorrect belief that "General Cigar had only made token use of the mark in the 1980's." Marcus Direct ¶ 16. Further, Milstein believed that General Cigar COHIBA cigars were sold by Dunhill throughout the 1980's and 1990's, and therefore did not believe that General Cigar had abandoned the mark. See Tr. 1271-72.

The opinion letter also discusses the possibility that, if abandonment of the mark could be shown, Cubatabaco could establish a priority right to the mark

by showing that its COHIBA mark enjoys a continuous, existing reputation among U.S. purchasers, dating back to a time prior to any newly resumed use by General Cigar, by virtue of: (a) the various aforementioned means of exposure of the mark to U.S. purchasers, including publicity and promotional material circulated in the United States for their COHIBA cigars; and (b) direct evidence of familiarity on the part of U.S. purchasers, including travelers who have purchased Cuban COHIBA cigars abroad.

Id. The cases cited in the letter do not specifically refer to the famous marks doctrine, but it is stated implicitly. Morgan & Finnegan also sent an earlier letter to Milstein, dated April 20, 1989, explaining the famous marks

doctrine in the context of the possible use and registration in the U.S. of trademarks owned and used abroad by Cubatabaco. See PX 923. The COHIBA mark is not discussed in the 1989 letter, which cites *Maison Prunier*, and advises Milstein that if the trademark "enjoys a known reputation in the United States," Cubatabaco may be able to establish priority rights, notwithstanding its inability to sell cigars in the United States. *Id.*

The two letters, however, do not conclude that Cubatabaco would be likely to prevail in a priority contest. Marcus testified that the advice related in the opinion letter only set out the legal doctrine, and did not conclude that the mark was sufficiently famous in the United States to give Cubatabaco priority rights to the mark. See Tr. 1164. It was Marcus's opinion, given his knowledge of the renown of the Cuban COHIBA in late 1992, that the Cuban COHIBA "was not well known in the United States." *Id.* at 1159.

Cubatabaco argues both that General Cigar withheld pertinent information from Morgan & Finnegan, thus skewing its legal advice, and that it failed to follow the advice given by the law firm. As to the first issue, it has not been established that General Cigar held back information from its counsel which could later be used against it in a trademark registration dispute. Marcus testified of Milstein that

because he was seeking my opinion concerning [General Cigar's] rights and potential liabilities with respect to this brand, . . . he was giving me whatever information he had. He would hardly have held back any important information.

Id. Marcus's testimony is credible and establishes that General Cigar was not advised in late 1992 or early 1993 that Cubatabaco could establish priority rights to the

COHIBA mark. See *Estee Lauder, Inc. v. The Gap, Inc.*, 932 F.Supp. 595, 615-616 (S.D.N.Y. 1996), *rev'd on other grounds*, 108 F.3d 1503 (2d Cir. 1997) (finding no bad faith where defendant "proceeded on the advice of experienced counsel, advice that was not patently unreasonable," even though the court disagreed with counsel's opinion).

Cubatabaco has also failed to establish that General Cigar ignored the advice of its counsel. The advice regarding abandonment was based on misinformation. Counsel's opinion that General Cigar must not "take advantage of the goodwill associated with the Cuban product" by "deliberate copying," PX 834, refers only to the Cuban COHIBA trade dress, which General Cigar knew Cubatabaco was seeking to protect, rather than the word mark, which counsel believed that General Cigar could properly use.

Cubatabaco has presented no credible evidence that General Cigar believed that they did not own the COHIBA mark at that time. General Cigar's conduct in copying the COHIBA mark and attempting to exploit the reputation of the Cuban COHIBA was not, therefore, taken in bad faith. See *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 441 F.Supp. 1220, 1229-30 (S.D.N.Y. 1977), *aff'd* 580 F.2d 44 (2d Cir. 1978) ("The fact that one believes he has a right to adopt a mark already in use because in his view no conflict exists since the products are separate and distinct cannot, by itself, stamp his conduct as in bad faith," even after the USPTO refused registration in light of the plaintiff's mark). Accordingly, this factor weighs against a likelihood of confusion.

7. *Quality of the Defendant's Product*

The first and most frequent use of this factor is to determine "whether defendant's products or services are

inferior to plaintiff's, thereby tarnishing plaintiff's reputation if consumers confuse the two." *The Morningside Group Ltd. v. Morningside Capital Group, Inc.*, 182 F.3d 133, 142 (2d Cir. 1999). However, this formulation begs the question by looking to the negative consequences of hypothetical confusion rather than determining whether confusion is likely. There is also another manner in which the quality of the defendant's product may be relevant: "Products of equal quality may tend to create confusion as to source because of that very similarity of quality." *Id.*; see also *Hasbro Toys, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 78 (2d Cir. 1988) (noting both senses in which quality is relevant "without taking sides"). Because the second use of the factor correlates more strongly to a finding of confusion, it will be weighed more strongly than the first use.

Both ways of taking quality into account, however, favor a finding of confusion. In *Empresa II*, it was found that although General Cigar's COHIBA

has received several high evaluations from *Cigar Aficionado*, those rankings are not consistently as high as those of the Cuban COHIBA. The Cuban COHIBA has the reputation as the best cigar in Cuba and, perhaps, the world—a reputation that General Cigar's COHIBA has not surpassed according to the evidence presented here.

213 F.Supp.2d at 275. The evidence presented subsequently confirms that conclusion. A chart prepared by Cubatabaco demonstrates that *Cigar Aficionado* rates the General Cigar COHIBA consistently between 83 and 89, while more than half of the Cuban COHIBA's dozens of ratings are over 90, with only four below 85. Lopez Garcia Direct, Exh. N. The only retailer to testify regarding the quality of the two products described the Cuban

COHIBA as "one of the highest quality cigars, in terms of tobacco, craftsmanship and taste, produced anywhere in the world," while "neither the tobacco used, nor the craftsmanship employed in manufacturing the [General Cigar COHIBAs] are of extraordinary quality. The taste of the General Cigar COHIBA similarly does not merit the high cost that the consumer pays for the product." Jorge Armenteros Direct ¶¶ 22, 23.

While the quality of the Cuban COHIBA is consistently higher than that of the General Cigar counterpart and presents a risk, although a small one, that the reputation of the Cuban COHIBA will be tarnished, there is a greater risk that the generally high quality of the General Cigar COHIBA will lead consumers into believing that the two brands are affiliated in some way. Given the publicity that counterfeit COHIBAs have received, a poor quality COHIBA is more likely to make a consumer believe that the cigar is a fraud rather than confusing it with the Cuban COHIBA. This factor weighs toward a likelihood of confusion.

8. *Sophistication of Buyers*

In *Empresa II*, it was determined at that time that the sophistication of buyers of COHIBA cigars was a controverted issue:

While purchasers of fine cigars tend to be knowledgeable and would realize that Cuban COHIBAS are not legally available in this country, Cubatabaco has presented market research to suggest that buyers who would be influenced by the "Cuba mystique" are not sophisticated purchasers. Therefore, a person who would buy a COHIBA because of its "mystique" may not understand that the General Cigar COHIBA is not sponsored by or related to the Cuban COHIBA.

213 F.Supp.2d at 275. At most, the evidence presented by Cubatabaco shows that younger consumers have become interested in COHIBA, that some consumers may be in search of status or prestige, and that some customers rate their cigar knowledge as low.

That evidence, however, must be viewed in the context of the high price of premium cigars, and COHIBA cigars especially, as well as the sophistication of premium cigar buyers generally. See *General Cigar*, 988 F.Supp. at 664 ("Ultimate consumers of [COHIBA] cigars are men sufficiently enthusiastic about smoking cigars to spend a significant amount of money on that pleasure, and are therefore presumably discerning purchasers."); *Camacho Cigars, Inc. v. Compania Insular Tabacalera, S.A.*, 171 U.S.P.Q. 673, 674 (D.D.C.1971) (purchasers of high-priced cigar brands "are careful, well-informed buyers."). Accordingly, this factor weighs against likelihood of confusion.

The *Polaroid* analysis weighs strongly toward a finding of a likelihood of confusion, even when the unique circumstances of the Cuban embargo is taken into account. Further support for the conclusion from the *Polaroid* factors may be found from two other types of confusion which have been found actionable: initial interest confusion and post-sale confusion. Initial interest confusion occurs when "potential customers initially are attracted to the junior user's mark by virtue of its similarity to the senior user's mark, even though these consumers are not actually confused at the time of purchase." *Jordache Enterprises, Inc. v. Levi Strauss & Co.*, 841 F.Supp. 506, 514-15 (S.D.N.Y. 1993) (citing *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975)). Post-sale confusion occurs after a product has been purchased and

put into use, and occurs "when a manufacturer of knock-off goods offers consumers a cheap knockoff copy of the original manufacturer's more expensive product, thus allowing a buyer to acquire the prestige of owning what appears to be the more expensive product." *Hermes Intern. v. Lederer de Paris Fifth Avenue, Inc.*, 219 F.3d 104, 108 (2d Cir. 2000) (citing *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955)). In the age of the internet, initial interest confusion can readily occur even though it is not possible to purchase Cuban COHIBAs in the United States. While the embargo diminishes the possibility of post-sale confusion, it does not entirely eliminate it.

General Cigar's choice of COHIBA as the name for its premium cigar, by itself, provides some evidence of intent to create initial interest confusion. The advertising undertaken by others which misleadingly suggests an affiliation only adds to the possibility of confusion at the initial stage, even if the consumer later learns that there is no affiliation between the two brands. As to post-sale confusion: while the General Cigar COHIBA is not properly described as a cheap knockoff copy, it is less expensive, less prestigious, and overall less highly regarded than the Cuban COHIBA. The use of an almost identical typeface on the band only adds to the possibility that the consumer may acquire the prestige of smoking a Cuban COHIBA without actually purchasing one. It is therefore held that, considering the *Polaroid* factors, as well as the risk of both initial interest and post-sale confusion, that there is a likelihood of confusion between the Cuban COHIBA and the General Cigar COHIBA.

***Cubatabaco Did Not Abandon the COHIBA Mark
Between 1992 and 1997***

In *Empresa IV*, it was held that the question whether Cubatabaco abandoned the mark between November 1992 and the filing of the cancellation petition in January 1997 presented "a question of fact, weighing the facts that Cubatabaco did not attempt to register its mark or contest the General Cigar COHIBA mark until 1997 with the fact that it could not in any case use the mark in the United States, and with any efforts that it took to maintain its fame in the United States." 213 F.R.D. at 158. The abandonment analysis was oriented by the decision of the TTAB in *Jose M. Arechabala Rodrigo v. Havana Rum & Liquors, S.A.*, Cancellation No. 22,881, slip op. at 15 (T.T.A.B. Oct. 19, 1995). In *Rodrigo*, the TTAB rejected the argument that the Cuban registrant had abandoned the "Havana Club" mark because of the embargo and "because the respondents used the mark worldwide and intended to use the mark in the United States 'as soon as it is legally possible to do so.'" *Empresa III*, 213 F.R.D. at 157 (quoting *Rodrigo*, slip op. at 19).

The *Rodrigo* decision was distinguished from the instant case, however, because the respondent in *Rodrigo* had registered the Havana Club mark, whereas Cubatabaco took no official action manifesting its intent to use the COHIBA word mark until the cancellation petition, over 4 years after General Cigar had resumed using the COHIBA mark. Cubatabaco is therefore not entitled to a presumption of its intent to begin using the mark as soon as the embargo is over, and "its intent to use the mark in the United States must be found by other means." *Id.* at 158.

In ruling on General Cigar's abandonment of the mark from 1987 to 1992, it was held that intent to use the

mark must be shown by "objective, hard evidence of actual 'concrete plans to resume use' in the 'reasonably foreseeable future when the conditions requiring suspension abate.'" *Empresa II*, 213 F.Supp.2d at 268 (quoting *Silverman v. CBS, Inc.*, 870 F.2d 40, 46 (2d Cir. 1989)). However, "[t]he party claiming abandonment bears the burden of proof" of establishing intent not to resume use. *Id.*; see also *Proctor & Gamble Co. v. Quality King Distributors, Inc.*, 123 F.Supp.2d 108, 116 (E.D.N.Y.2000) (to succeed on "an abandonment claim, the defendants must meet a 'high burden of proof.'" (quoting *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 334 (2d Cir. 1983)). Also, "because it constitutes forfeiture of a property right, abandonment of a mark must be proven by clear and convincing evidence, and a statutory aid to such proof must be narrowly construed." *Empresa IV*, 213 F.R.D. at 156-57 (citations omitted). The relevant statutory aid is the presumption that nonuse for two or three consecutive years shall constitute prima facie abandonment.¹⁰ To show excusable nonuse, "the registrant must produce evidence showing that, under his particular circumstances, his activities are those that a reasonable businessman, who had a bona fide intent to use the mark in United States commerce, would have taken." *Empresa II*, 213 F.Supp.2d at 268-69 (quoting *Rivard v. Linville*, 133 F.3d 1446, 1449 (Fed.Cir. 1998)).

¹⁰ In November 1992, the law provided that two consecutive years was sufficient to show abandonment. See *Pilates, Inc. v. Current Concepts, Inc.*, 120 F.Supp.2d 286, 307 n. 16 (S.D.N.Y.2000); 15 U.S.C. § 1127 (1993). The law was amended on December 8, 1994, to provide that three consecutive years of abandonment are required. See Pub.L. 103-465, § 521, 1994 Amendments; 15 U.S.C. § 1127(1). Because Cubatabaco could not use the mark for the entire period, it is not necessary for the purposes of this litigation to decide whether the two or three year presumption applies.

General Cigar argues that Cubatabaco abandoned the mark because it did not register the COHIBA word mark even though it is excused from the requirement of use that other registrants must comply with in order to maintain their rights. Cubatabaco need only register a mark and file a certificate of excusable non-use periodically in order to maintain the rights to that mark. General Cigar notes that Cubatabaco made efforts to protect its rights to use other marks and registered its COHIBA trade dress in the United States, but did not do so for the COHIBA word mark.

As found above, the legal actions taken by Cubatabaco are consistent with the intent to resume use beginning in June 1994, given its inability to use the mark during the relevant period. Cubatabaco took no legal action prior to June 1994 because of the 1981 registration, the 1986 Declaration of Use and Incontestability, and its belief that "General Cigar was not making stable or continuous use of the COHIBA trademark in the United States." *Id.* at 262. From June 1994 until the filing of the cancellation petition, the evidence shows that Cubatabaco was contemplating legal action in defense of the COHIBA mark.

The evidence also shows that Cubatabaco's efforts to maintain the fame of the COHIBA mark in the United States were sufficiently significant and sustained, in the context of the embargo, to demonstrate an intent to resume use when it became legally possible. During the period, General Cigar undertook no advertising and publicity for its Temple Hall COHIBA, and sold the cigar in limited numbers through two mail-order retailers. The publicity generated by Cubatabaco, on the other hand, brought the brand from relative obscurity, as measured by the January 1992 Shanken Survey, to the point in 1997 where General Cigar acknowledged that "the

Cuban COHIBA was well-known in the U.S. in 1997." Def.'s Post-Trial Mem. at 2.

Cubatabaco's efforts did not include concrete business plans for resuming use of the mark after the end of the embargo. However, such plans should not be expected under circumstances in which the end of the embargo was not in the foreseeable future. Instead, Cubatabaco's efforts were devoted to raising awareness of the COHIBA brand. The evidence shows that among all of Cubatabaco's brands, COHIBA was promoted most forcefully. Very few of its marketing efforts were directed solely at the United States. Such a strategy would have made little sense, given that promotion of COHIBA in Europe and elsewhere would be more immediately productive. Cubatabaco, however, consistently made efforts to direct its promotion of COHIBA to premium cigar consumers in the United States. Most significant among these efforts is its long-standing relationship with *Cigar Aficionado*. Cubatabaco proposed articles, accommodated reporters, arranged an exclusive interview with Fidel Castro, and participated in the planning of a dinner in Paris to which numerous prominent Americans were invited. Habanos, S.A. also named Shanken, the American publisher of the magazine, as its "Habanos Man of the Year for Communications" in 1995. While *Cigar Aficionado* is sold throughout the world, it reaches a significant number of premium cigar smokers in the United States.

Cubatabaco also encouraged and accommodated publicity from other American media outlets, such as The New York Times, CNN, CBS, and National Public Radio. The celebration of the 30th anniversary of COHIBA included numerous Americans, and generated significant publicity for COHIBA. Although the event

took place in February 1997, the planning for the event, including invitations, was done as early as 1995.

General Cigar argues that Cubatabaco affirmatively abandoned the mark in late 1992 and early 1993 by failing to protest when General Cigar insisted that it owned the mark and that Cubatabaco no longer run ads for COHIBA in *Cigar Aficionado*. Cubatabaco acknowledges that "further advertisements were prevented by General Cigar's threat of infringement actions." Pl.'s Mem. at 62. Lopez Garcia, the Director of Marketing at Habanos, S.A., testified that she believes that Cubatabaco may not advertise in the U.S. "because of General Cigar's registration and use of the COHIBA mark." Lopez Garcia Direct ¶ 105. Such actions may, under certain circumstances, constitute evidence of Cubatabaco's acquiescence to General Cigar's use of the mark. However, General Cigar's affirmative defense of acquiescence has been dismissed. *See Empresa II*, 213 F.Supp.2d at 277-78. Such actions are not sufficient to show an absence of intention to resume use at an unknown point in the future.

General Cigar also points to the interviews given by Padron to *Cigar Aficionado*, in which he expressed the view that "Habanos" was more important than any brand name. Padron also stated that if the embargo were to end, "we would launch new things for the North American market, new brands. Or we could make an arrangement with the brand owners over there." D72. Such statements, to the extent that they constitute reliable statements of Cubatabaco's intent, at most demonstrate that Cubatabaco believes that it will be able to market its Cuban cigars successfully with or without the COHIBA name. They do not demonstrate an affirmative intent not to resume use of the COHIBA mark once the embargo is ended. Padron's statements were also made without the

knowledge "that General Cigar was pursuing a new registration for the COHIBA mark." *Empresa II*, 213 F.Supp.2d at 277. Because of this, General Cigar was precluded from "rely[ing] on the interviews to show conduct supporting its acquiescence and estoppel claims." *Id.* For similar reasons, General Cigar may not rely on the interviews in support of its abandonment defense.

In light of the evidence presented, General Cigar has not met its burden of proving by clear and convincing evidence that Cubatabaco abandoned the COHIBA mark between November 1992 and January 1997. Cubatabaco has consistently undertaken the efforts that a reasonable businessman with an intent to resume using the mark would have taken under the circumstances. It did not initiate legal action because of General Cigar's 1981 registration, but began the process of contesting General Cigar's re-registration of the mark as soon as it learned of it. Further, its efforts to promote the mark in the United States are consistent with an intent to maintain the fame of the mark for the unknown duration of the embargo.

General Cigar's COHIBA Mark is Cancelled and General Cigar is Enjoined From Using The COHIBA Mark

Cubatabaco has presented evidence that it possessed a protectable mark in November 1992 under the famous marks doctrine, and that there is a likelihood of confusion between the Cuban COHIBA cigar and the General Cigar COHIBA. General Cigar has not established that Cubatabaco abandoned the COHIBA mark between 1992 and 1997. Cubatabaco is therefore entitled to relief under § 43(a) of the Lanham Act. General Cigar's trademark registration No. 1,898,273 is cancelled, and General Cigar is permanently enjoined using the COHIBA

word mark on or in connection with any product or service or the manufacture, exportation, sale, offering for sale, distribution, advertising, promotion labeling or packaging of any product or service. General Cigar is also ordered to deliver up to Cubatabaco for destruction or other disposition any and all merchandise, packaging, package inserts, labels, signs, prints, wrappers, receptacles, advertising, plates and other mechanical means of reproduction or other materials now or hereafter in their possession, custody or control, which bear the infringing trademark and any reproduction, copy or colorable imitation thereof.

The FTDA Claim is Dismissed

Count XII of Cubatabaco's complaint alleges that General Cigar's conduct is likely to cause the blurring and dilution of the distinctive quality of its COHIBA trademark in violation of the FTDA, 15 U.S.C. § 1125(c). While the COHIBA mark was famous within the meaning of the famous marks doctrine in November 1992, it does not meet the considerably more stringent requirements of the FTDA.

"In the Second Circuit, five elements are necessary to establish a claim under the FTDA: (1) the senior mark must be famous; (2) it must be inherently distinctive; (3) the challenged junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it causes dilution of the distinctive quality of the senior mark." *Christopher D. Smithers Found., Inc. v. St. Luke's-Roosevelt Hosp. Ctr.*, No. 00 Civ. 5502, 2003 WL 115234, at (S.D.N.Y. Jan.13, 2003) (citing *Nabisco Inc. v. P.F. Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999); Lanham Act § 43(c); 15 U.S.C. § 1125(c)). Because the COHIBA mark is insufficiently famous, the other factors need not be addressed.

As discussed above, the FTDA protects only those marks that have shown "a substantial degree of fame." *TCPIP*, 244 F.3d at 99; *see also Smithers*, 2003 WL 115234, at *5 ("Very few trademarks qualify as famous marks."). In particular, the fame required "must exist in the general marketplace, not in a niche market." *Smithers*, 2003 WL 115234, at *5 (citing *TCPIP*, 244 F.3d at 99). In *TCPIP*, the Second Circuit found that the mark "The Children's Place" was not famous under the FTDA standard despite the fact that its owner operated 228 retail stores in 27 states under the name, and had achieved sales of \$280 million. *TCPIP*, 244 F.3d at 99. The court found that while the evidence "shows considerable commercial success and growth, the aggregate sales under the mark since it originated . . . may well not equal the sales of Dupont, Buick, or Kodak in any given month." *Id.* at 100.

Cubatabaco has put forward no evidence showing that the renown of the COHIBA mark extended beyond premium cigar smokers in 1992 or at any other time. All survey evidence comes from premium cigar smokers, and the publicity received by the mark outside of publications such as *Smoke* and *Cigar Aficionado* has been extremely limited. Further, the fact that the Cuban COHIBA cannot legally be sold in the United States, combined with the fact that the General Cigar COHIBA was not sold from 1987 to 1992 is further evidence that the COHIBA mark has not acquired the level of fame required by the FTDA. Accordingly, the federal dilution claim of Count XII is dismissed.

The New York State Dilution Claim is Dismissed

Count XII also includes a claim alleging dilution of the COHIBA mark and injury to business reputation in

violation of New York's anti-dilution law. The statute provides that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods and services.

N.Y. Gen Bus. Law § 360-1 (formerly § 368-d).

Cubatabaco argues that a mark need not be famous in order to make out a dilution claim under New York law. In support, Cubatabaco cites *Welch Allyn, Inc. v. Tyco Int'l Servs. AG*, 200 F.Supp.2d 130, 150 (N.D.N.Y. 2002), which adopts that proposition. However, *Welch Allyn* also states that "the New York anti-dilution statute 'protects only extremely strong marks.' " *Id.* (quoting *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625 (2d Cir. 1983)). The case law on the standards for establishing the distinctiveness required to show dilution under New York law closely resemble the standards for fame under the FTDA. See *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (mental association between marks required to show distinctiveness "may be created where the plaintiff's mark is very famous and therefore has a distinctive quality for a significant percentage of the defendant's market."). In *Sally Gee*, the Second Circuit in dicta interpreted extremely strong marks as applying only to the "most well known names." 699 F.2d at 625 (quoting *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 548, 399 N.Y.S.2d 628, 369 N.E.2d 1162 (1977) (Cooke, J. dissenting) (interpreting

the majority opinion)). The legislative history for New York's anti-dilution statute cites the same very famous hypothetical misappropriations of trademarks as does the federal legislation: "Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth," *Mead Data*, 875 F.2d at 1031 (quoting 1954 N.Y.Legis. Ann. 49-50) suggesting that only highly recognizable marks merit protection. *See also id.* at 1033 (Sweet, J., concurring) (noting that the majority's conclusion "limits section 368-d's protection to nationally famous marks.")

These examples are to be expected, since the legislative history also discloses that the purpose of the § 360-1, like the FTDA, is to prevent "the whittling away of an established trademark's selling power and value through its unauthorized use by others upon dissimilar products." *Id.* It is inappropriate, therefore, to bring an anti-dilution claim on the basis of two identical marks, especially when Cubatabaco has also made other claims. As the Second Circuit held in regard to § 360-1's predecessor statute:

Section 368-d provides a cause of action distinct from other state law actions for trademark infringement and unfair competition. "The evil which the Legislature sought to remedy was not public confusion caused by similar products or services sold by competitors, but a cancer-like growth of dissimilar products or services which feeds on the business reputation of an established distinctive trade-mark or name."

Sally Gee, 699 F.2d at 624 (quoting *Allied*, 42 N.Y.2d at 544. Accordingly, the state dilution claim of Count XII is dismissed because the COHIBA mark is not extremely strong and because an anti-dilution action is not properly

brought to protect against competition from similar products.

The Unfair Competition Claim is Dismissed

The essence of New York's unfair competition law "is that the defendant has misappropriated the labors and expenditure of another." *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980). To determine that misappropriation has occurred, bad faith must be found. "Under New York law, common law unfair competition claims closely resemble Lanham Act claims except insofar as the state law claim may require an additional element of bad faith or intent." *Nadel v. Play-By-Play Toys & Novelties, Inc.*, 203 F.3d 368, 383 (2d Cir. 2000) (quoting *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 149 (2d Cir. 1997)); see also *Empresa II*, 213 F.Supp.2d at 284.

Cubatabaco's claim that General Cigar acted in bad faith by copying the COHIBA name in November 1992 has been considered above and rejected. In the absence of a finding of bad faith, Cubatabaco's New York unfair competition claim is dismissed. See *Mejia and Associates v. IBM Corp.*, 920 F.Supp. 540, 552 (S.D.N.Y. 1996).

The Claim for Trademark Cancellation Under § 1120 is Dismissed

Count Eleven of Cubatabaco's complaint alleges a violation of 15 U.S.C. § 1120, which provides

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

Cubatabaco requests an order, pursuant to this statute, cancelling General Cigar's 1995 registration of the COHIBA trademark. Such an order has already been granted under Count Seven for violations of 15 U.S.C. § 1125(a).

In addition, Cubatabaco has not met the standard for cancellation under this provision. "Misstatements in a registration application provide a basis for cancelling the registration only "if the misstatements (1) were made with *knowledge* of their falsity, and (2) were *material* to the determination to grant the application." *Baker v. Parris*, 777 F.Supp. 299, 305 (S.D.N.Y. 1991) (quoting *Rick v. Buchansky*, 609 F.Supp. 1522, 1537 (S.D.N.Y. 1985)) (emphasis in original). The General Cigar statement in 1979 in response to the PTO inquiry concerning the geographic description of COHIBA was not entirely accurate when it described the mark as "wholly arbitrary." See *Empresa II*, 213 F.Supp.2d at 255. However, that abandonment does not invalidate the 1995 registration.

It has been found above that General Cigar believed at the time it applied to register the mark that it was the valid owner. Cubatabaco has therefore not demonstrated that General Cigar made any misstatements in its registration application with knowledge of their falsity.

The Misappropriation Claim is Dismissed

Count XIII lists a claim for common law misappropriation. General Cigar argues that Cubatabaco's misappropriation claim is subsumed within its unfair competition claim and provides no independent basis for relief. In *Empresa II*, it was observed that "at least one district court has dismissed a common law misappropriation claim" on the grounds that the two claims are duplicative. 213 F.Supp.2d at 284 (citing *Something Old*,

Something New, Inc. v. QVC, Inc., No. 98 Civ. 7450, 53 U.S.P.Q.2d 715, 1999 WL 1125063, at * 13 (S.D.N.Y. Dec. 8, 1999). However, the misappropriation claim was not dismissed because the parties had not briefed the issue. In its post-trial briefs, General Cigar raises the same cases and arguments referred to by the Court in *Empresa II*. Cubatabaco has not responded on this issue. Accordingly, in recognition of the fact that "[t]he essence of an unfair competition claim under New York law is that the defendant has misappropriated the labors and expenditures of another," *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980), Count XIII is dismissed as duplicative of Cubatabaco's common law unfair competition claim.

Cubatabaco also includes a "passing off" claim in its Pre-Trial Statement of Claims, as part of Count Ten. This claim is also dismissed as duplicative. See *Regal Jewelry Co. v. Kingsbridge Int'l Inc.*, 999 F.Supp. 477, 491 (S.D.N.Y. 1998) ("[T]he very purpose of unfair competition law [is] to keep a seller from passing off his goods as those of another.").

The Trade Dress Infringement Claim Is Dismissed

In addition to its claim of trademark infringement in Count Seven, Cubatabaco also alleges that General Cigar's conduct constitutes trade dress infringement under § 43(a) of the Lanham Act. In particular, Cubatabaco alleges that the bands which General Cigar included on its COHIBA cigars beginning in 1997 infringe on the trade dress of the Cuban COHIBA band.

In order for Cubatabaco to prevail on its trade dress infringement claim, it must show that: (1) Cubatabaco's cigar band was inherently distinctive or had acquired distinctiveness through secondary meaning; (2) the design of Cubatabaco's band is nonfunctional; and (3) a

likelihood of confusion exists between the Cubatabaco band and the General Cigar band. See *Two Pesos v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992).

The Cuban COHIBA band is inherently distinctive because of its arbitrary graphical design. *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993, 1000 (2d Cir. 1997). General Cigar has also acknowledged that awareness of the COHIBA band was high in 1997. See *Cullman Dep.* at 443 ("[I]t was impossible not to acknowledge at that point [May 1997] a strong awareness among cigar smokers that Cohiba existed, there was a Cuban Cohiba, and as I mentioned before, there was great interest, among new smokers especially, to walk around with, showing off the Cuban Cohiba label."). The design of the band also serves no functional purpose; it is merely decorative.

Cubatabaco fails, however, to demonstrate that there is a likelihood of confusion between the two cigar bands. The Cuban COHIBA band is yellow on the bottom, and black with white squares on the top. The COHIBA name, in black block letters on a white background, straddles the yellow and black field. Below the name are the words "La Habana, Cuba" on the yellow field in black script. The General Cigar band, by contrast, consists of two thick black stripes on the top and bottom of the band. The remainder of the band is white, except for the name COHIBA in black bold letters, with a red dot inside the "O", and a red oval with the words "HAND MADE" in small black letters.

While the font of the word COHIBA on the two bands undoubtedly bear a resemblance to one another, the similarity between the two bands ends there. The only evidence presented of confusion between the two brands is the testimony of Siegel, Cubatabaco's expert, who testified that both the cigar band and the box used by Gen-

eral Cigar have a "direct familial relationship to the Cuban Cohiba tradedress." Siegel Direct, ¶ 176(a). At most, Siegel's testimony demonstrates that the cigar bands of the two brands stand out from other brands by their "clean, sparse look." *Id.* at ¶ 169 (quoting PX 98, a General Cigar memo dated May 13, 1997). The combination of the COHIBA word mark and the look of the General Cigar band is likely to lead to confusion, as determined above. However, Cubatabaco has shown no evidence that the band itself, apart from the word mark, is likely to cause confusion. Were a different brand name to be used with the General Cigar trade dress, any confusion between the two bands would be removed, and the most one could conclude is that "both the Cubatabaco and General Cigar designs have a different look and feel from almost all competitive premium luxury cigars, which use traditional, ornate designs." Pl. PFF, ¶ 69. In the absence of more substantive evidence of confusion, such as survey data, the fact that the two bands share a different look and feel is insufficient to establish a likelihood of confusion. Accordingly, Cubatabaco's claim for trade dress infringement is dismissed.

The Deceptive Trade Practices Claim is Dismissed

In the Joint Pretrial Order, Cubatabaco alleges a claim for deceptive trade practices as part of Count Ten, citing "N.Y. Gen. Bus. § 349 and analogous laws in each and every State." A trademark infringement claim such as the one brought by Cubatabaco is not properly brought under § 349. "The gravamen of the complaint [under § 349] must be consumer injury or harm to the public interest." *Securitron Magnalock Corp. v. Schnabolk*, 65 F.3d 256, 264 (2d Cir. 1995) (internal quotation and citation omitted). While confusion as to the source or qual-

ity of the COHIBA cigar does count as a form of consumer injury, it has not been held to be actionable under § 349. "The Courts of this Circuit have held that trademark infringement actions alleging only general consumer confusion do not threaten the direct harm to consumers required to state a claim under section 349." *Sports Traveler, Inc. v. Advance Magazine Publishers, Inc.*, No. 96 Civ. 5150, 1997 WL 137443, at *3 (S.D.N.Y. March 24, 1997) (collecting cases). Accordingly, Cubatabaco's deceptive trade practices claim is dismissed.

The Trade Dress Dilution and False Advertising Claims Are Not Properly Before the Court

Within the section of the Joint Pretrial Order entitled "Plaintiff's Statement of Claims to Be Tried," Cubatabaco raises two claims that were never pled in its original Complaint: "False Advertising," alleged to be part of Count Ten, and "Trade Dress Dilution" under state and federal law, alleged to be part of Counts Seven and Twelve.

Count Ten asserts that General Cigar "violated principles of the state and common law of unfair competition by wilfully passing off their goods as those of Cubatabaco, by competing unfairly, and by employing deceptive trade practices." Complaint, ¶ 72. However, there is no reference in the claim to false advertising. General Cigar could not have been put on notice of its need to defend against this claim.

Counts Seven describes a claim for "Trademark and Trade Dress Infringement," but makes no reference to trade dress dilution. Count Twelve alleges that General Cigar violated New York's anti-dilution law, but reference is made only to the COHIBA trademark and not to

the COHIBA trade dress. General Cigar also was not given notice of this claim.

Cubatabaco cites Rule 15(b) in arguing that it was sufficient to state its claim in the Joint Pretrial Order. Rule 15(b) does permit issues not raised in the pleadings to be tried "as if they had been raised in the pleadings," but only by the "express or implied consent of the parties." Fed.R.Civ.P. 15(b). General Cigar objected to the inclusion of both the false advertising and trade dress dilution claims in the Pretrial Order and has not consented, either implicitly or explicitly to raising these claims. Accordingly, they are dismissed.

***No Judgment is Appropriate At This Time On
Cubatabaco's Claims For Monetary Relief***

As part of Count Ten, which claims unfair competition under state law, Cubatabaco also asserts a claim for unjust enrichment and constructive trust. In its brief, Cubatabaco argues that equitable principles mandate that General Cigar not be permitted to retain profits from the sale of its COHIBA cigar. Cubatabaco also argues for an award of profits under the Lanham Act and the New York common law of unfair competition. Finally, Cubatabaco argues that it is entitled to attorney's fees under the Lanham Act.

As part of the Joint Pretrial Order, the parties stipulated and the Court ordered:

Any trial on the issue of monetary relief claimed by Plaintiff against Defendants shall be bifurcated from a trial on liability on the cause of action raised in Plaintiff's complaint and Defendant's counterclaim. Any trial on Plaintiff's claim for monetary relief shall only be held after a finding by the district or appellate courts that one or more of the Defendants

is liable to Plaintiff on one or more causes of action for which Plaintiff has asserted it is entitled to monetary relief.

Because the Court has made a finding that General Cigar is liable on the claim of trademark infringement, a trial on the issue of monetary relief is warranted, and no decision will issue at this time.

The Court recognizes that one or both parties may wish to have the liability determinations made thus far ruled on by the appellate court before the issue of monetary relief is considered. Accordingly, if either party desires certification of the claims adjudicated to date pursuant to Federal Rule of Civil Procedure 54(b), a motion to that effect should be brought within 10 days of the issuance of this opinion and order.

CONCLUSION

For the reasons set forth above, General Cigar's COHIBA trademark registration is cancelled. No other relief has been granted at this time. Following the stipulation of the parties, the issue of any monetary relief for Cubatabaco remains to be tried.

Submit judgment on notice.

It is so ordered.

ROBERT W. SWEET
U.S.D.J.

New York, NY
March 26, 2004

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT NEW YORK

No. 97 CIV. 8399 (RWS)
June 26, 2002

EMMPRESA CUBANA DEL TABACO,
d.b.a. CUBATABACO,
Plaintiff,

—v.—

CULBRO CORPORATION and
GENERAL CIGAR CO., INC.,
Defendants.

OPINION

(EXCERPT)

SWEET, J.

Defendants General Cigar Holdings, Inc. (the legal successor in interest to named defendant Culbro Corporation) and General Cigar Co. Inc. (collectively "General Cigar") have moved pursuant to Rule 56 of the Federal Rules of Civil Procedure for summary judgment to dismiss the complaint of plaintiff Emmpresa Cubana del Tabaco d.b.a. Cubatabaco ("Cubatabaco") on the

basis of estoppel, acquiescence, and laches due to Cubatabaco's alleged long delay in challenging General Cigar's use and registrations of the COHIBA trademark. Cubatabaco has moved (1) to strike General Cigar's affirmative defenses of estoppel, acquiescence, and laches; and (2) for partial summary judgment on its claims of abandonment and under Articles 7 and 8 of the General Inter-American Convention for Trademark and Commercial Protection ("IAC" or "Inter-American Convention"), Article 6bis of the Paris Convention for the Protection of Industrial Property ("Paris Convention"), New York common law, and the Trademark Dilution Act.

For the following reasons, these motions are denied in part and granted in part.

* * * *

VI. Cubatabaco's Motion for Partial Summary Judgment

Cubatabaco has moved for partial summary judgment on its Article 7 and 8 claims under the IAC, Article 6-bis claim under the Paris Convention, New York common law claim, and claim under the Federal Trademark Dilution Act ("FTDA"). General Cigar opposes summary judgment on these claims as well as others not addressed in Cubatabaco's motion for summary judgment.⁴⁶

⁴⁶ General Cigar also discusses the merits of Cubatabaco's claims regarding (1) Article 10-bis of the Paris Convention (Count II); (2) Article 20 of the IAC (Count IV); (3) trademark infringement under Section 43 of the Lanham Act (Count VII); and (4) state law dilution claims (Count XII). These arguments will not be addressed as they are not before the Court and should be the subject of a separate motion for summary judgment on the merits by General Cigar if it so chooses.

A. *Cubatabaco's Treaty Claims*

As an initial matter, General Cigar argues that Cubatabaco cannot rely on the IAC and Paris Convention because the provisions on which it relies do not have the force of law in the United States. It asserts that the treaties are not self-executing and therefore must be executed by legislation, *i.e.* the Lanham Act, and that the Lanham Act does not encompass the substantive provisions on which Cubatabaco relies for this summary judgment motion.

1. *Inter-American Convention*

Both Cuba and the United States are parties to the IAC. The treaty remains in force between the United States and Cuba notwithstanding the embargo on trade between the two countries. U.S. Dep't of State, *Treaties in Force* 393 (2000). Thus, the IAC, along with the Paris Convention, governs trademark relations between the two countries.

This Circuit has recently addressed the issue of whether the Inter-American Convention provides additional substantive rights other than those available under the Lanham Act. *Havana Club Holding S.A. v. Galleon S.A.*, 203 F.3d 116, 124 (2d Cir.2000).

In *Havana Club*, a Cuban rum producer, Havana Club, brought an action against an American rum producer, Bacardi, alleging trademark infringement and false designation of origin. Before the Cuban revolution, Havana Club rum was produced by a private corporation owned principally by the Arechabala family and was shipped to the United States. After the revolution, the Cuban government seized the assets of the corporation. The resulting Cuban rum company registered the Havana Club trademark with Cuban authorities in 1974 and with the

United States in 1976. The United States registration was revoked in 1997. Also in 1997, the Bacardi Rum company purchased the rights of the Arechabala family to, *inter alia*, the Havana Club trademark.

Looking to legislative history, the Court held that the IAC was self-executing, but that, regardless, Congress incorporated rights under the IAC into Section 44 of the Lanham Act. Therefore, Cubatabaco "must assert its rights under the IAC pursuant to section 44(b) of the Lanham Act." *Id.* at 128.

Section 44(b) provides:

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act.

15 U.S.C. § 1126(b). Cubatabaco is therefore "entitled to the benefits" of Section 44 "under the conditions expressed herein to the extent necessary to give effect to any provision of such convention. . . ."

Havana Club filed a claim, *inter alia*, to enjoin Bacardi from selling rum labeled Havana Club under Section 44(b) and (h) of the Lanham Act and Chapter III of the IAC. The Court held that Section 44(b)⁴⁷ of the Lanham

⁴⁷ Section 44(h) provides:

Any person designated in subsection (b) of this section is entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair

Act only reaches substantive provisions of the IAC that are "related to the repression of unfair competition." 203 F.3d at 135 n. 19. One of Havana Club's Section 44(h) claims sought to apply the substantive provisions of Article 23, concerning "Repression of False Indications of Geographical Origin or Source". The Court held that it could "not rely on this provision in asserting its section 44(h) claim, however, because the IAC does not treat rights under article 23 as rights related to the repression of unfair competition." 203 F.3d at 135 n. 19.

The Court did not clarify which sections of the IAC concern "rights related to the repression of unfair competition." However, Chapter IV of the IAC (Articles 20, 21 and 22) is explicitly labeled "Repression of Unfair Competition." Further, the Court appeared to accept that Section 44(h) at the very least embraces the substantive provisions of one of the articles in Chapter IV, Article 21(c).⁴⁸ From this, it may be surmised that Chapter IV concerns "rights related to the repression of unfair competition and that Section 44(h) incorporates the substantive provisions of Articles 20, 21, and 22."⁴⁹

competition, and the remedies provided by this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

⁴⁸ Havana Club also asserted a claim under Article 21(c). Article 21(c) expressly states that it will be enforceable only if the conduct it proscribes is not "effectively dealt with" in domestic law. The Court concluded that the plaintiff failed to state a viable claim as it "amounts to little more than the reassertion of its section 43(a) claim because article 21(c) of the IAC prohibits a subset of the conduct already effectively prohibited under American law by section 43(a)." *Id.* at 134- 35. Therefore, the Court appeared to accept that Section 44(h) encompassed the terms of Article 21(c).

⁴⁹ Although Cubatabaco has not moved for summary judgment on these grounds, it has stated claims under Articles 20 and 21 of the IAC. These provisions therefore have the force of law under Section 44(h).

Cubatabaco has moved for summary judgment on its claims under Article 7⁵⁰ and 8⁵¹ of the IAC. In order for

⁵⁰ Article 7 provides:

Any owner of mark protected in one of the Contracting States in accordance with its domestic law, who may know that some other person is using or applying to register or deposit an interfering mark in any other of the Contracting States, shall have the right to oppose such use, registration or deposit and shall have the right to employ all legal means, procedure or recourse provided in the country in which such interfering mark is being used or where its registration or deposit is being sought, and upon proof that the person who is using such mark, or applying to register or deposit it, had knowledge of the existence and continuous use in any of the Contracting States of the mark on which opposition is based upon goods of the same class the opposer may claim for himself the preferential right to use such mark in the country where the opposition is made or priority to register or deposit it in such country, upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

⁵¹ Article 8 provides, in pertinent part:

When the owner of a mark seeks the registration or deposit of the mark in a Contracting States other than that of origin of the mark and such registration or deposit is refused because of the previous registration or deposit of an interfering mark, he shall have the right to apply for and obtain the cancellation or annulment of the interfering mark upon proving, in accordance with the legal procedure of the country in which cancellation is sought, the stipulations in Paragraph (a) and [(b)]:

(a) That he enjoyed legal protection for his mark in another of the Contracting States prior to the date of the application for the registration or deposit which he seeks to cancel; and

(b) That the claimant of the interfering mark, the cancellation of which is sought, had knowledge of the use, employment, registration, or deposit in any of the Contracting States of the mark for the specific goods to

Section 44(h) to reach these provisions, they must involve "rights related to the repression of unfair competition." Articles 7 and 8 may be found in Chapter II of the IAC, labeled "Trademark Protection." Cubatabaco argues that Articles 7 and 8 involve the repression of unfair competition and quotes a Second Circuit opinion from 1953 that states that "infringement is itself a form of 'unfair competition.' " *American Automobile Ass'n v. Spiegel*, 205 F.2d 771, 774 (2d Cir.1953) (Hand, J.); *see also* H.R.Rep. 79-1333, 79th Cong., 2d Sess., at 4 (1946) ("[T]here is no essential difference between trade-mark infringement and unfair competition. Unfair competition is the genus of which trade-mark infringement is one of the species.").

Based on this logic, however, it would appear that all provisions of the IAC would be encompassed by Section 44(h). While a neat argument, it is undermined by the *Havana Club* ruling. Cubatabaco cites one portion of *Havana Club* to support this contention, noting that the Court held that the IAC's protection against a United States trademark infringing upon a foreign trade name—a provision it describes as "parallel" to Articles 7 and 8—was incorporated by Section 44. 203 F.3d at 128. It is true that it is incorporated by Section 44, but by subsection (g) of that section, rather than subsection (h), under which Cubatabaco has made its claims. *Id.* Section 44(g) provides that owners of foreign trade names may seek protection against infringement even in the absence of registration.⁵² Therefore, the parallel provision required

which said interfering mark is applied, prior to adoption and use thereof or prior to the filing of the application or deposit of the mark.

⁵² Section 44(g) provides: "Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks."

an explicit statement from Congress that no registration was required. Moreover, the *Havana Club* Court rejected claims that Section 44(h) encompassed Article 23 of the IAC, which involves the repression of false indications of geographical origin. That provision also generally protects against unfair competition in the form of persons falsely labeling their goods to the detriment of those who are actually selling goods from a particular location.

In essence, Cubatabaco has invoked Articles 7 and 8 of the IAC to obtain the right of ownership of the COHIBA mark without registering its COHIBA trademark in the manner that United States law requires. As General Cigar points out, this result would directly undermine the Congressional purpose of encouraging registration in order to provide notice to other users who may have interest in the mark. *See In re Int'l Flavors & Fragrances*, 183 F.3d 1361, 1367 (Fed.Cir.1999) ("Entrepreneurs, for example, who plan to promote and to sell a new product under a fanciful mark, should be able to rely on a search of the trademark registry"); *Bongrain Int'l Corp. v. Delice de France*, 811 F.2d 1479, 1485 (Fed.Cir.1987) ("One of the policies sought to be implemented by the Act was to encourage the presence on the register of trademarks of as many as possible of the marks in actual use so that they are available for search purposes.").

Cubatabaco retorts to this policy argument that Articles 7 and 8 support the Congressional policy, as they both entail the eventual registration of the foreign mark and cancellation of the mark registered in the United States. This argument ignores the fact that for some variable number of years, the foreign mark has not been registered. It also ignores the fact that Congress has specifically carved out how owners of trademarks reg-

istered in other countries may obtain a U.S. registration. Under Section 44(d), a party that has applied for, but not yet received, a registration in a signatory nation may file a U.S. application within six months of filing its foreign application. If and when the foreign registration issues and if the trademark otherwise qualifies for registration under U.S. law, a U.S. registration will issue, with U.S. priority rights retroactive to the date upon which the foreign application was filed. Therefore, if the party fails to file within six months of its registration, or if someone else has used the mark in the United States prior to the foreign registration, the first U.S. user will have priority rights in the mark.

Under Section 44(e), a foreign party that has already registered its mark in a convention nation may submit a certified copy of that registration to the U.S. PTO at any time. A U.S. registration then will issue, if the mark otherwise qualifies for registration under U.S. law, but without special priority rights. Therefore, if someone else begins to use the mark in U.S. commerce before the foreign party submits a certified copy of the foreign registration to the U.S. PTO, the first U.S. user will have priority in the mark.

If Cubatabaco were correct, the claimant of a U.S. trademark right based on foreign registration would be better off not registering its mark, since it would not have to incur the expense of registration and maintenance fees, and would not have to maintain its registration through use in the United States or the filing of papers to establish excusable non-use. Further, the owner of the prior foreign registration could benefit by waiting until the owner of the United States mark had established a good reputation for the mark and taking advantage of these efforts. While it is true that owners of trademarks registered outside the United States are enti-

tled to protection, Congress has decided in the Lanham Act that they are not entitled to the kind of sword/shield defense that Cubatabaco seeks.

Such result would also contradict provisions of the IAC which contemplate that foreign parties should act to secure and maintain their rights. *E.g.* IAC, Art. 2 (person who desires to obtain a trademark protection must apply for protection); Art. 3 (contemplating compliance with "formal provisions of domestic law" for registration); Art. 10 (period of registration shall be fixed by state).

In light of the foregoing, Articles 7 and 8 of the IAC are not "related to the repression of unfair competition" and are not within the ambit of Section 44(h). Therefore, Cubatabaco's claims under Articles 7 and 8 of the IAC are dismissed.

2. *The Paris Convention*

Both Cuba and the United States are parties to the Paris Convention.⁵³

There is a divergence in authority as to whether the Paris Convention is self-executing. *Compare Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640-44 (2d Cir.1956) (in dictum: Paris Convention is self-executing), *cert. denied* 352 U.S. 871, 77 S.Ct. 96, 1 L.Ed.2d 76 (1956); *Davidoff Extension S.A. v. Davidoff Int'l Inc.*, 221 U.S.P.Q. (BNA) 465, 467 (S.D.Fla.1983) (relying solely on *Vanity Fair* in holding that Paris Convention is self-executing) with *In re Compagnie Generale Maritime*, 993 F.2d 841, 856 & n. 18 (Fed.Cir.1993) (Nies, J., dissenting) (Paris Convention is not self-executing); *L'Aiglon Apparel, Inc. v. Lana Lobell Inc.*, 214 F.2d 649

⁵³ The United States first became a party on May 30, 1887, and Cuba on November 17, 1904. See World Intellectual Property Organization, Intellectual Property Protection Treaties, at <http://www.wipo.org/treaties/ip/paris/> (last visited June 19, 2002).

(3d Cir.1954) (same) (cited approvingly in *BP Chemicals Ltd. v. Formosa Chemical & Fibre Corp.*, 229 F.3d 254, 259 n. 1 (3d Cir.2000)); *Ortman v. Stanray Corp.*, 371 F.2d 154, 157 (7th Cir.1967) (same); *ééInt'l Caf, S.A.L. v. Hard Rock Caf (U.S.A.), Inc.*, 252 F.3d 1274, 1277 n. 5 (11th Cir.2001) (same).⁵⁴

There is no need to determine whether *Vanity Fair* is still controlling as to this issue, however, because of the *Havana Club* ruling. As discussed above, the Second Circuit determined that the rights under the IAC, although self-executing, nonetheless could only be asserted through Section 44(b) of the Lanham Act. 203 F.3d at 128. The Court reached this conclusion because of the original text of Section 44(b), which specifically incorporated the treaty rights of

[p]ersons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property [the Paris Convention] . . . or (2) the General Inter-American Conventional for Trade Mark and Commercial Protection [the IAC] . . . or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party. . . .

Id. (citing Trademark Act of 1946, ch. 540, § 44(b), 60 Stat. 427, 442). The Court ruled that even though the

⁵⁴ Most recently, an unpublished decision of the Trademark Trial and Appeal Board also concluded that the Paris Convention is not self-executing. *Int'l Finance Corp. v. Bravo Co.*, Opp. Nos. 111, 276; 111, 760 (T.T.A.B. June 5, 2002) (collecting cases); see also *Scotch Whiskey Assoc. v. United States Distilled Products Co.*, 13 U.S.P.Q.2d 1711, 1713 (T.T.A.B.1989) (concluding that Paris Convention is not self-executing).

IAC was self-executing, because of this language, the plaintiff ~~can~~ assert its rights under the IAC pursuant to Section 44(b) of the Lanham Act. *Id.* Similarly, because the Paris Convention is included in the original language, even if it were self-executing, Cubatabaco would have to assert its rights under the Paris Convention pursuant to Section 44(b) of the Lanham Act.

Cubatabaco has asserted its Article 6-bis claim pursuant to Section 44(h). As discussed above, Section 44(h) will only encompass Article 6-bis if Article 6-bis concerns "rights related to the repression of unfair competition." *Havana Club*, 203 F.3d at 135 n. 19. Article 6-bis, similar to Articles 7 and 8 of the IAC, permits the refusal or cancellation of registrations of marks that are similar to well-known marks registered in other member countries.⁵⁵ A different provision, Article 10-bis, explic-

⁵⁵ Article 6-bis states:

1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

itly addresses the provision of "effective protective against unfair competition." Article 10-bis.⁵⁶ There is no such similar language in Article 6-bis. Therefore, for the reasons stated above, Cubatabaco cannot rely on Section 44(h) to encompass the substantive provisions of Article 6-bis and its claims based on this provision must be dismissed.⁵⁷

B. *State Common Law Claim*

Cubatabaco seeks summary judgment under the "New York common law" in the same section in which it discusses Article 6-bis of the Paris Convention. Cubatabaco fails to assert whether it refers to one or both of its New York common law claims and further fails to explicate the elements of either claim. The complaint contains two

⁵⁶ Article 10-bis provides:

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. (3) The following in particular shall be prohibited: 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor; 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor; 3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

⁵⁷ Cubatabaco has asserted a claim under Article 10-bis as well, which presumably would not face the same difficulty. However, Cubatabaco has not moved for summary judgment on its Article 10-bis claim and its merits—as well as General Cigar's arguments regarding it—will not be addressed at this time.

such claims: (1) misappropriation and (2) unfair competition. Complaint, ¶¶ 72-74 (unfair competition under state and common law); 78-81 (common law misappropriation).

The first claim, misappropriation, has been called "the essence of unfair competition," *Forschner Group, Inc. v. Arrow Trading Co.*, 124 F.3d 402, 408 (2d Cir.1997). On the basis of this description, at least one district court has dismissed a common law misappropriation claim. *Something Old, Something New, Inc. v. QVC, Inc.*, 1999 WL 1125063, at *13 (S.D.N.Y. Dec.8, 1999) (citing *Forschner* and dismissing misappropriation claim as it was considered part of unfair competition claim). Because the parties have not briefed the subject and because it is not even clear whether the misappropriation claim is at issue, the claim will not be dismissed at this time. However, Cubatabaco has failed to establish it should as a matter of law succeed on this claim.

New York common law unfair competition requires a showing of (1) likelihood of confusion and (2) bad faith. *Saratoga Vichy Spring*, 625 F.2d at 1044; see also *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt. Inc.*, 15 F.Supp.2d 389, 400 (S.D.N.Y.1998) (noting that record "does not establish with clarity that defendant acted in bad faith, an essential element of unfair competition"); *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 149 (2d Cir.1998) ("Under New York law, common law unfair competition claims closely resemble Lanham Act claims except insofar as the state law claim may require an additional element of bad faith or intent."). In discussing its New York common law claim, Cubatabaco does not address either prong, nor refer to any section of its brief that does. As discussed earlier, however, Cubatabaco did raise the issue of likelihood of confusion

in another section, and a question of fact remains as to whether likelihood of confusion will result.

General Cigar challenges this claim because it is the registered user of the COHIBA mark in the United States. A Central District of California court faced an analogous situation in *Grupo Gigante S.A. v. Dallo & Co.*, 119 F.Supp.2d 1083, 1089 (C.D.Cal.2000). The defendants, owners of a grocery store who had registered their mark with the state, claimed that the state registration made the common law well-known mark doctrine unavailable. The court rejected this argument, reasoning that a foreign mark must be protected if it was well-known in the United States prior to the party's obtaining rights to the mark through the state process. *Id.* at 1089-92 ("If a mark used only on products or services sold abroad is so famous that its reputation is known in the United States, then that mark should be legally recognized in the United States." (quoting McCarthy, *supra*, § 29:4, at 29-9)).

Although the *Grupo Gigante* case involved state rather than federal registration, the difference is not dispositive. After all, federal registration is only *prima facie* evidence of ownership, rather than a deed to the mark. Lanham Act, Section 33. Therefore, Cubatabaco might have prior rights to the COHIBA mark if it was well-known prior to General Cigar's first use of the mark in 1992.

An issue of material fact exists as to whether the Cuban COHIBA was well-known by November 1992. The Cuban COHIBA was recognized in *Cigar Aficionado* to be "perhaps the world's finest smoke." It had been selling around the world for ten years, and had been mentioned in several different magazine articles in the United States. Moreover, within the particular niche

market of the cigar industry, the Cuban COHIBA was renown.

General Cigar also recognized the renown of the Cuban COHIBA. Milstein testified that in 1989, 1991 and October 1992, General Cigar wanted to use a label as near as possible to the Cuban COHIBA "to somehow capitalize on the success of the Cuban brand, and especially [in October 1992] the good ratings that it got, the notoriety that it got from *Cigar Aficionado*." Milstein Dep. at 284. Milstein wrote a memorandum echoing similar thoughts in January 1993, concerning General Cigar's strategy "to exploit the popularity, familiarity, brand recognition and overall success of the Cuban Cohiba." Further, in the spring of 1993, General Cigar's advertising agency developed a campaign, the first phase of which was to "[e]xploit the Cohiba name, with its reputation as one of the world's finest cigars amongst cigar smokers, to build a brand image for the U.S. Product."

Cbatabaco has thereby raised a material issue of fact as to whether the Cuban COHIBA was "so famous that its reputation [was] known in the United States" and thus "should be legally recognized in the United States." *Grupo Gigante*, 119 F.Supp.2d at 1089. Therefore, while summary judgment may not be granted on this count, nor can the unfair competition claim be dismissed.

C. Federal Trademark Dilution Act

Cubatabaco moves for partial summary judgment on Count XII,⁵⁸ alleging infringement of the Federal Trade-

⁵⁸ Cubatabaco has not moved on the parallel state law claim in Count XII, N.Y.Gen.Bus.Law. § 360-1. However, in a footnote, General Cigar alleges that Section 43(c)(3) of the Lanham Act bars this claim because of General Cigar's valid registration of the COHIBA mark. Def.'s Opp.Mem. at 28 n. 21. This subject will not be addressed as that claim is not at issue and, in any case, one of Cubatabaco's

mark Dilution Act of 1995 ("FTDA"), 15 U.S.C. § 1125(c)(1).

The FTDA provides that the "owner of a famous mark shall be entitled, subject to the principles of equity . . . , to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). "Dilution" for purposes of the FTDA is "the lessening of the capacity of a famous mark to identify and distinguish goods and services, regardless of the presence or absence of (1) competition between the owner of the famous mark and the other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127.

The Second Circuit has summarized the five elements needed to establish unlawful dilution under the FTDA: "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." *Nabisco Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir.1999).

1. General Cigar's Registration is Not a Defense

General Cigar's primary contention is that its ownership of the COHIBA mark in the United States provides a defense to this claim. However, "federal registration is no defense to a charge of dilution under the federal Anti-dilution Act." McCarthy, *supra*, at § 24:90, at 24-150. Such could not be the case, as dilution itself provides a

claims is that the 1995 registration should be cancelled. Until the issue is raised as to whether the 1995 registration is valid, General Cigar cannot rely on Section 43(c)(3) to dismiss the state law claim.

ground for cancellation of a registration. 15 U.S.C. § 1052.

2. *There is a Material Issue of Fact as to Whether Cubatabaco Owns the COHIBA mark in the United States*

The FTDA requires that the plaintiff be the "owner" of the mark. General Cigar argues that Cubatabaco is not the "owner" of the COHIBA mark in the United States because it did not register the mark with the PTO. This argument ignores that one need not have registered the mark to "own" it.⁵⁹

As discussed above, under the "well-known marks" doctrine, a party with a well-known mark at the time another party starts to use the mark has priority over the party using the mark. In *Gigante*, discussed above, the defendants argued that the plaintiff, who had not registered the mark in California or through the U.S.P.T.O., could not make a dilution claim under the FTDA "because they do not own the mark." *Gigante*, at 1098 n. 10. There was no question that plaintiff had registered and owned the mark in Mexico. However, the court did not look to the plaintiff's ownership in Mexico, but instead rejected the defendants' argument because the Court had determined that the *Gigante* mark was a well-known mark prior to defendants' first use, and therefore the plaintiffs owned the U.S. rights to the mark. *Id.* at 1089.

⁵⁹ General Cigar's argument is further undercut by the language of the FTDA, which states that a court may, but not shall, look to whether the mark was registered in determining whether it was distinctive or famous. 15 U.S.C. § 1125(e)(1)(H). The drafters could easily have required registration by using the replacing "may" with "shall."

As discussed above, there is an issue of material fact as to whether Cubatabaco was the Cuban COHIBA was a "well-known" mark in 1992 and thus "owns" the rights to the COHIBA mark in the United States. Therefore, summary judgment may not be granted on this ground.

CONCLUSION

For the foregoing reasons, Cubatabaco's Count I (Article 6-bis of the Paris Convention) and III (Article 7 and 8 of the IAC) are dismissed. Cubatabaco's motions for summary judgment on its claim of abandonment (Count XI) and to dismiss General Cigar's equitable defenses are granted. General Cigar's motion for summary judgment on the basis of its equitable defenses are denied. In light of the December 5, 2000, Order and the above opinion, Cubatabaco's cause of action is now limited to (1) Count II (Article 10-bis of the Paris Convention); (2) Count IV (Articles 20 and 21 of the IAC); (3) Count VII (Trademark Infringement Under Section 43(a) of the Lanham Act); (4) Count X (state and common law unfair competition); (5) Count XI (cancellation of the 1995 registration); (6) Count XII (dilution under state and federal law); and (7) XIII (common law misappropriation).

A pretrial conference will be held in September 2002 on a date convenient to counsel to schedule any further proceedings.

It is so ordered.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT NEW YORK

No. 97 CIV. 8399 (RWS)
October 8, 2002

EMMPRESA CUBANA DEL TABACO,
d.b.a. CUBATABACO, *Plaintiff,*

—v.—

CULBRO CORPORATION and
GENERAL CIGAR CO., INC., *Defendants.*

OPINION
(EXCERPT)

SWEET, J.

Plaintiff Empresa Cubana del Tabaco d/b/a Cubatabaco ("Cubatabaco") and defendants Culbro Corporation (now known as General Cigar Holdings, Inc.) and General Cigar Co., Inc. (collectively "General Cigar") have moved separately for reconsideration of portions of this Court's opinion dated June 26, 2002,

Empresa Cubana del Tabaco v. Culbro Corp., 213 F.Supp.2d 247 (S.D.N.Y.2002) (the "June 26 Opinion").

For the following reasons, those motions are denied.

Facts

The parties and facts discussed herein are described in greater detail in *Empresa Cubana*, 213 F.Supp.2d 247, familiarity with which is presumed.

At issue in the June 26 Opinion were three motions for summary judgment: (1) General Cigar filed for summary judgment on the basis of its equitable defenses; (2) Cubatabaco filed for summary judgment to dismiss General Cigar's equitable defenses; and (3) Cubatabaco filed for summary judgment on its claims under Articles 7 and 8 of the InterAmerican Convention for Trade Mark and Commercial Protection ("IAC"); Article 6bis of the International Convention for the Protection of Industrial Property (the "Paris Convention"); the Federal Trademark Dilution Act; and New York common law. Those motions were considered fully submitted on March 13, 2002, and were decided in the single June 26, 2002 opinion. *Empresa Cubana*, 213 F.Supp.2d at 252. It was held that:

Cubatabaco's Count I (Article 6bis of the Paris Convention) and III (Article 7 and 8 of the IAC) are dismissed. Cubatabaco's motions for summary judgment on its claim of abandonment (Count XI) and to dismiss General Cigar's equitable defenses are granted. General Cigar's motion for summary judgment on the basis of its equitable defenses is denied.

Id. at 286-87.

The instant motions were filed on July 19, 2002, and were considered fully submitted on August 21, 2002.

Discussion

I. Standards Under Local Rule 6.3

"To succeed on a motion for reargument, the moving party must demonstrate that the court overlooked the controlling decisions or factual matters that were placed before the court in the underlying motion." *Lopez v. Comm'r of Soc. Sec.*, 2002 U.S. Dist. LEXIS 5091, *1-*2 (S.D.N.Y. March 27, 2002) (quotations and citations omitted); see also *Shrader v. CSX Transp.*, 70 F.3d 255, 257 (2d Cir.1995) (motion for reargument "will generally be denied unless the moving party can point to controlling decisions or data that the court overlooked matters, in other words, that might reasonably be expected to alter the conclusion reached by the court).

Rule 6.3 is intended to "ensure the finality of decisions and to prevent the practice of a losing party examining a decision and then plugging the gaps of a lost motion with additional matters." *Carolco Pictures, Inc. v. Sirota*, 700 F.Supp. 169, 170 (S.D.N.Y.1988) (citation omitted). The parties may not present new facts or theories at this stage. *Ralph Oldsmobile Inc. v. General Motors Corp.*, 2001 WL 55729, at *2 (S.D.N.Y. Jan.23, 2001) (striking affidavit that was filed in support of motion to reconsider without court's permission); *Primavera-Familienstiftung v. Askin*, 137 F.Supp.2d 438, 442 (S.D.N.Y.2001) (party may not "advance new facts, issues or arguments not previously presented to the Court") (quoting *Morse/Diesel Inc. v. Fidelity & Deposit Co. of Md.*, 768 F.Supp. 115, 116 (S.D.N.Y.1991)).

Rule 6.3 must be narrowly construed and strictly applied so as to avoid duplicative rulings on previously considered issues, and may not be employed as a substitute for appealing a final judgment. *Lopez*, 2002 U.S. Dist. LEXIS 5091, at *3; *Shamis v. Ambassador Factors*,

187 F.R.D. 148, 151 (S.D.N.Y.1999). The decision to grant or deny the motion rests in the discretion of the district court. *AT & T Corp. v. Community Network Servs. Inc.*, 2000 WL 1174992, at * 1 (S.D.N.Y. Aug.18, 2000).

II. *Cubatabaco's Motion Is Denied*

Cubatabaco seeks reconsideration of the Court's determination that its claims under Article 6bis of the Paris Convention and Articles 7 and 8 of the Inter-American Convention should be dismissed.

Cubatabaco anchors its motion for reconsideration on two "controlling decisions" with regard to canons of statutory interpretation.¹ As an initial matter, "the Court is mindful that canons of construction 'are not in any true sense rules of law. So far as they are valid, they are what Mr. Justice Holmes called them, axioms of experience.'" *Federal Mogul Corp. v. United States*, 63 F.3d 1572, 1581 (Fed.Cir.1995) (quoting Justice Felix Frankfurter, *Some Reflections on the Reading of Statutes* 27 (1947)). Thus, it is unclear whether a Rule 6.3 motion for reconsideration may appropriately be based upon "axioms of experience" as opposed to rules of law in the "true sense." Given the importance of the issues of international law before the Court, however, the argument that *Empresa Cubana* somehow placed the United States

¹ First, a statute must be construed to give effect to treat obligations if such a construction is possible. *Cheung v. United States*, 213 F.3d 82, 95 (2d Cir.2000) (citing *Weinberger v. Rossi*, 456 U.S. 25, 32, 102 S.Ct. 1510, 71 L.Ed.2d 715 (1982); *The Charming Betsy*, 2 Cranch 64, 118, 6 U.S. 64, 2 L.Ed. 208 (1804)). Second, when Congress, in enacting subsequent legislation, interprets an existing statute, Congress's interpretation must be given "great weight." *Loving v United States*, 517 U.S. 748, 770 (1996).

in violation of its international obligations and that therefore this Court should have otherwise construed the statutes if possible will be addressed.

Cubatabaco's argument relies on the assumption that the earlier ruling places the United States in violation of the IAC and the Paris Convention. *Empresa Cubana* merely held that, based on the Second Circuit's discussion of Section 44(h) in *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116 (2d Cir.2000), a party may not utilize Sections 44(b) and 44(h) of the Lanham Act for treaty provisions that do not relate to "unfair competition," and further than Articles 7 and 8 of the IAC and Article 6bis of the Paris Convention do not so relate. This holding does not prevent parties from obtaining rights under those provisions, however, either by complying with other subsections of the Lanham Act or through U.S. federal and common law.

As discussed in *Empresa Cubana*, the controlling decision, *Havana Club*, held that any rights under the Paris Convention and the IAC must be enforced through Section 44 of the Lanham Act, 15 U.S.C. § 1126, which concerns international conventions. *Empresa Cubana*, 213 F.Supp.2d at 279, 283. Section 44(b) provides that:

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty, or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

15 U.S.C. § 1126(b). Therefore a party must enforce its rights under an international convention through Section 44(b) and some other subsection of Section 44.

Cubatabaco appears to argue that the United States will be in violation of its international obligations if Cubatabaco cannot assert its rights specifically under Section 44(h).² It ignores that there are other provisions of the Lanham Act under which Articles 7 and 8 of the IAC may be enforced and U.S. federal and common law under which they may vindicate their rights pursuant to Article 6bis of the Paris Convention.

² This Court has already detailed its reasons, based on *Havana Club*, for finding that Articles 7 and 8 of the IAC and Article 6bis of the Paris Convention cannot be enforced through Section 44(h) of the Lanham Act. Because Cubatabaco has cited no controlling authority to the contrary, this issue will not be reviewed.

Further, Cubatabaco has not persuasively argued that the Court's conclusions to that effect were inconsistent with *Havana Club*. In *Havana Club*, the plaintiff sought to enforce the substantive provisions of Articles 23 and 21(c) of the IAC. Article 23 appears in Chapter V of the IAC entitled "Repression of False Indications of Geographical Origin or Source," and not in Chapter IV, which expressly addresses the "Repression of Unfair Competition." The Second Circuit quoted the heading of Article 23 and then ruled that "because the IAC does not treat rights under article 23 as rights related to the repression of unfair competition," the plaintiff could not assert a Section 44(h) claim based on Article 23. *Havana Club*, 203 F.3d at 135 n. 19. The Court also held that the plaintiff failed to state a viable claim under Article 21(c) of the IAC. Article 21(c) is included in Chapter IV and labeled by the IAC as an unfair competition provision. The Second Circuit treated it as an unfair competition provision incorporated into Section 44(h) but nonetheless dismissed it because unfair competition is already prohibited by U.S. law. *Id.* at 134-35. Thus, it was consistent with this opinion for this Court to determine whether a treaty provision involves "unfair competition" within the meaning of Section 44(h) by reference to the labels within the treaties themselves.

A. Articles 7 and 8 of the IAC

Article 7 of the IAC is related to the priority of use of marks. It explicitly states that a party may claim the preferential use of mark that it has registered in a contracting state but which another party is using or seeks to use in another contracting state "upon compliance with the requirements established by the domestic legislation in such country. . . ." Article 7. The Lanham Act is the domestic legislation at issue, and it specifically discusses the right of priority in Section 44(d). Thus, a party may enforce Article 7 through Sections 44(b) and 44(d) of the Lanham Act. As discussed in greater length in *Empresa Cubana*, if a party does not comply with Section 44(d), the party cannot attempt to gain priority of use through another provision of the Lanham Act. 213 F.Supp.2d at 280-81. That is exactly what Cubatabaco has tried unsuccessfully to do.

Similarly, Article 8 requires that a claimant "apply for and obtain the cancellation or annulment of the interfering mark . . . in accordance with the legal procedure of the country in which cancellation is sought." Article 8. Again, the legal procedure is by registering according to Section 44(d) of the Lanham Act.

Because Articles 7 and 8 mandate compliance with the domestic legislation, *i.e.* Section 44(d), the United States would be out of compliance with those articles only if it refused to recognize the rights of parties that had duly complied with Section 44(d).

The motion to reconsider the dismissal of Cubatabaco's claims pursuant to Articles 7 and 8 of the IAC is denied.

B. Article 6-bis of the Paris Convention

The holding in *Empresa Cubana* did not place the United States in violation of its treaty obligations for a

different reason: the rights guaranteed under Article 6-bis have been subsumed by federal and common law. *E.g., Piaggio & S.S.p.A. v. Scooterworks USA, Inc.*, 1999 WL 674749, at *3 (N.D.Ill. Aug.23, 1999) (rejecting claim under Article 6-bis asserted pursuant to Sections 44(b) and (h) as duplicative of cause of action under Section 43(a) of the Lanham Act); *Empresa Cubana*, 213 F.Supp.2d at 285-86 (discussing claims under the Federal Trademark Dilution Act and "well-known marks" doctrine).

This conclusion also answers Cubatabaco's argument that the U.S. Congress has expressed the position that Article 6-bis has already been implemented into federal law (*see* Uruguay Round Agreements Act, Pub.L. 103-465, § 101(d)(15); 108 Stat. 4809 (1994); TRIPS Article 2(1) ("Members shall comply with Articles 1-12" of the Paris Convention), reproduced in Message from the President of the United States, H.R. Doc. No. 103-316, Vol. I, Annex 1C, at 319 (1994)), and that therefore to reject a claim under Sections 44(b) and (h) is to flout this determination. Because "well-known marks" are already protected under federal and common law, Section 6-bis has been duly implemented.

Therefore, by holding that Article 6-bis could not be implemented pursuant to Section 44(h), *Empresa Cubana* did not place the United States in violation of its treaty obligations, nor did it ignore a contrary Congressional interpretation.

Cubatabaco also suggests that the holding with regard to Article 6-bis incorrectly "placed particular weight on what it considered to be the Lanham Act's general preference that marks be registered" (Pl.'s Reply at 6), because Article 6-bis does not require such registration. The opinion, however, relied only on *Havana Club* and the statutory interpretation argument with regard to Arti-

cle 6-bis's failing to involve "unfair competition." *Empresa Cubana*, 213 F.Supp.2d at 283-84. To the extent that the phrase "for the reasons stated above", *id.* at 184, could somehow be construed to include the policy arguments with regard to registration discussed in the section regarding Articles 7 and 8 of the IAC, the opinion is now limited as stated above.

Cubatabaco's motion for reconsideration of the dismissal of its Article 6-bis claim is denied.

III. *General Cigar's Arguments*

General Cigar argues that summary judgment was improvidently granted on the issues of abandonment and equitable defenses as material issues of fact are present.

* * * *

Conclusion

In light of the foregoing, Cubatabaco's and General Cigar's motions for reconsideration are denied.

It is so ordered.

No. 05-417

In the
Supreme Court of the United States

EMPRESA CUBANA DEL TABACO, D/B/A CUBATABACO,

PETITIONER,

V.

GENERAL CIGAR CO., INC., AND GENERAL CIGAR HOLDINGS,
INC.,

RESPONDENTS.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The district court held that Cubatabaco acquired ownership of the COHIBA mark through the "famous marks doctrine," canceled General Cigar's registration of the mark, and enjoined it from all use of the mark. Adopting the view of the U.S., the Second Circuit held that Cubatabaco does not own the U.S. rights to COHIBA, because the Cuban Embargo prohibits transfers of ownership by operation of law. This holding is not challenged in the Petition. The questions presented are:

(1) Whether the Second Circuit correctly held that Petitioner, having dismissed all its Lanham Act Section 43(a) claims except those resting on a trademark infringement theory, was not entitled to relief because the Cuban Embargo barred Petitioner from owning the mark, and a non-mark owner cannot use Section 43(a) to secure cancellation of a registration and an injunction against all use of the mark by a good faith registrant, senior user, and owner of the mark in the U.S.?

(2) Whether the Second Circuit correctly held that Congress intended the Cuban Embargo's restrictions on the means through which Cuban entities could acquire intellectual property rights in the U.S. to control, even if the Paris Convention on intellectual property, which does not purport to prohibit national security embargoes, would otherwise have authorized such means?

(3) Whether the Second Circuit correctly held that a foreign trademark owner cannot disregard the Lanham Act's provisions for timely registration and wait nearly 30 years to assert rights under the Inter-American Convention as against a good faith U.S. user?

RULE 29.6 STATEMENT

General Cigar Co., Inc. is a wholly-owned subsidiary of General Cigar Holdings, Inc., formerly known as Culbro Corporation. Two wholly-owned subsidiaries of Swedish Match AB, a publicly-held corporation, own 100% of the shares of General Cigar Holdings, Inc.

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STATEMENT OF THE CASE

General Cigar adopted and registered the COHIBA mark for cigars in the U.S. twenty-seven years ago. It has been using the mark here in good faith, believing it was the owner, for the vast majority of that time. Cubatabaco, a monopoly owned by the Cuban government, does not dispute that it could have registered the COHIBA mark in the U.S. prior to General Cigar's first registration but elected not to do so; that it never used the mark here; and that it never otherwise acquired ownership of the COHIBA mark in the U.S. by operation of law because the terms of the Cuban Embargo prohibit any such transfer. The Second Circuit properly held that under these circumstances, it had no authority under the Lanham Act or any international treaty to cancel General Cigar's registration or prohibit it from using the mark in the U.S. The decision does not conflict with any ruling from this Court or any other Circuit.

The Petition attempts to distract attention from this fact-bound application of the Lanham Act by claiming that the Second Circuit failed to defer to the government's interpretation of the regulations enforcing the Cuban Embargo. In fact, the Second Circuit expressly adopted the government's Embargo analysis, concluding that Cubatabaco never acquired ownership of the COHIBA mark in the U.S. The only point of disagreement between the Second Circuit and the government was on Lanham Act construction—specifically whether Cubatabaco can secure cancellation and an injunction against a good faith registrant without establishing prior U.S. ownership of the mark. Petitioner does not even contend that there is a conflict on this statutory issue, and the U.S. did not file a brief supporting Petitioner's request for rehearing en banc, where it raised the very claims in this Petition. The writ of certiorari should be denied.

Statutory Background. In order to put Petitioner's claim that it has been denied fundamental rights under

international treaties into proper perspective, it is useful to describe the statutory scheme that Congress established to protect the interests of foreign mark holders, including those subject to the Cuban embargo. "[T]rademark rights exist in each country solely according to that country's statutory scheme." *Person's Co. v. Christman*, 900 F.2d 1565, 1569 (Fed. Cir. 1990). The statutory scheme here is based on registration and use in U.S. commerce. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, §§ 19:2-19:3 (4th ed. 2005). Cuban entities have not been able to use trademarks in U.S. commerce since 1962, when Congress imposed an Embargo on all trade with Cuba for the express purpose of protecting our national security. See Cuban Asset Control Regulations ("CACR"), 31 C.F.R. § 515.201 *et seq.*, codified in the Cuban Liberty and Democratic Solidarity Act of 1996 ("LIBERTAD Act"), 22 U.S.C. § 6032(h) (collectively, "the Embargo"), Pet. App. 6a.¹ The Embargo nevertheless permits Cuban entities to register trademarks in the U.S. 31 C.F.R. § 515.527.²

¹ Strict enforcement of the Embargo is essential to the foreign policy interests of the U.S. See, e.g., White House Fact Sheet, U.S.-Cuba Policy and the Cuban Liberty and Democratic Solidarity Act (July 16, 2002) ("The President likewise remains committed to the use of the trade embargo and travel restrictions as tools to encourage a rapid transition. ... [T]he Administration strongly opposes any effort to loosen sanctions against the Cuban regime until it undertakes meaningful political, economic, and labor reforms and respects human rights."); Executive Office of the President, Office of Management and Budget, Statement of Administration Policy on H.R. 2989—Dep'ts of Transp. and Treasury and Independent Agencies Appropriations Bill, FY 2004 (Sept. 4, 2003) (threatening veto if amendments weakening Embargo passed).

² The Lanham Act has long allowed the owner of a foreign trademark registration to register that mark in the U.S. without use here provided the owner states his "bona fide intention to use the mark in [U.S.] commerce." 15 U.S.C. § 1126(e). The Embargo excuses Cuban trademark owners who take advantage of the right to register from the use requirement with which registrants must ordinarily comply to maintain their rights.

Any foreign mark holder that elects not to register in the U.S. takes a substantial risk under the terms of the Lanham Act as written. If another bona fide U.S. user registers the mark first, that registration becomes "prima facie evidence" of "ownership of the mark" and "exclusive right[s] to use" it in the U.S. 15 U.S.C. § 1115(a). The Act states that a registration conferring exclusive rights can be cancelled, but only if a challenger establishes: (1) a statutory ground for canceling that registration under Section 14 of the Lanham Act or (2) that the registration should never have issued under Section 2. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) (validity of registered mark is determined by language of Section 14); *Young v. AGB Corp.*, 152 F.3d 1377, 1380 (Fed. Cir. 1998) (cancellation may be granted only on bases in Section 14 or "a 'statutory ground which negates the appellant's right to the subject registration'" under Section 2) (citation omitted).

- Nothing in Sections 14, 2 or any other portion of the Lanham Act states that a foreign firm that has never owned a mark in the U.S. may cancel another's good faith registration or completely enjoin its good faith use of the mark.

Both the U.S. and Cuba have signed international treaties related to the protection of intellectual property rights, including the Paris Convention for the Protection of Industrial Property, 21 U.S.T. 1583 (1970) ("Paris Convention"), and the General Inter-American Convention for Trademark and Commercial Protection, 46 Stat. 2907 (1930) ("IAC"). Congress modified the Lanham Act in the manner it deemed necessary to implement these treaties. *Havana Club Holding, S.A. v. Galleon, S.A.*, 203 F.3d 116, 128 (2d Cir.), cert. denied, 531 U.S. 918 (2000). Section 44(b) of the Lanham Act expressly provides that a treaty national is only entitled to "the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention ... in addition to

the rights to which any owner of a mark is otherwise entitled by this chapter." 15 U.S.C. § 1126(b) (emphasis added).³

The terms of the Act accordingly cast substantial doubt on Petitioner's assertion, throughout this litigation, that the fame of a foreign mark establishes ownership of exclusive rights to the mark in the U.S., by operation of law, even without use or registration in this country.⁴ The Second Circuit nevertheless found that it was unnecessary to decide this question, and assumed that the Paris Convention could create an independent basis for a foreign owner of a famous mark to obtain U.S. trademark rights. Even under the terms of the Lanham Act as written, however, there were ample opportunities for Petitioner to obtain and protect trademark rights in the U.S. Foreign mark owners can acquire exclusive U.S. rights to a mark by being the first to register the mark in the U.S., with a bona fide intent to use

³ The legislative history confirms that the Lanham Act codifies all U.S. obligations under the treaties. See, e.g., *Hearings on H.R. 9041 Before the H. Comm. on Patents*, 75th Cong. 164 (1938) ("Lanham Act Hearings") (statement of Edward Rogers) ("[E]verything that we are obligated to do in our [treaties] is included in [§ 44]."). A principal author of the Lanham Act testified during the legislative proceedings that the U.S. could satisfy its obligations under the Paris Convention and the IAC by extending protection to foreign marks that are "registered" or "used" in this country. *Id.*

⁴ Under the Lanham Act, registration establishes a presumption of "ownership of" and "exclusive right to use" the mark. 15 U.S.C. § 1115(a); see also *id.* § 1115(b) (incontestable registration is "conclusive evidence" of ownership and right to exclusive use). The Federal Circuit held that fame is not a basis for registration in the U.S., *Imperial Tobacco Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1580 (Fed. Cir. 1990), which necessarily suggests that fame cannot confer "ownership" or the "exclusive right to use." See also *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 363 (4th Cir. 2003) (holding that foreign owner of famous mark had to establish use in commerce with the U.S. to acquire rights under the Lanham Act—which Cubatabaco did not allege because the Embargo prohibits sales to U.S. citizens even outside the U.S.), *cert. denied*, 540 U.S. (2004).

it here. 15 U.S.C. § 1126 (d)-(e). If a foreign owner applies for a registration in the U.S. within six months of its foreign registration, it can obtain priority over all other U.S. users from the date of its foreign registration. *Id.* § 1126(d). The Embargo expressly permits such registration by Cuban nationals. Non-embargoed entities may also acquire rights to a mark simply by using it here before someone else does. *Id.* § 1052(d). And even if a foreign mark owner has never used or registered its mark in the U.S., it may still protect against the *bad faith* use of the mark here. *Id.* §§ 1052, 1127 (requiring “bona fide use” of mark to support registration); *id.* § 1064 (requiring cancellation for “misrepresent[ation of] source”); *see also Person's*, 900 F.2d at 1569-70 (bad faith adoption or use of mark may constitute grounds for cancellation in certain circumstances).

Cubatabaco availed itself of *none* of these options. It did not register the COHIBA mark in the U.S. before General Cigar registered and began good faith use. The Second Circuit found that Petitioner did not prove *any* express statutory ground for canceling General Cigar’s registration. Both the district court and the Second Circuit held that General Cigar did not adopt or use the mark in bad faith. Pet. App. 47a, 209a-213a.

Factual Background. The Cuban COHIBA was a post-revolutionary cigar brand originally created for Fidel Castro’s personal use.⁵ Second Cir. Appendix (“C.A. App.”) 40. General Cigar learned about it in the late 1970s. Pet. App. 7a. With the understanding that the mark had never

⁵ The COHIBA mark was never owned by an individual Cuban. By contrast, the pre-revolutionary trademarks were—until the Communist regime in Cuba confiscated them. U.S. cigar companies, including General Cigar, purchased the U.S. rights for many of these trademarks from their former owners and used them on cigars sold here, even while Cubatabaco used them on Cuban cigars sold elsewhere. The resulting parallel branding is well-known to U.S. consumers. Second Circuit Appendix (“C.A. App.”) 1944, 2382-83.

been used in the U.S., General Cigar applied to register it with the U.S. Patent and Trademark Office ("PTO") in 1978, *id.*,⁶ and has been selling COHIBA brand cigars in the U.S. ever since. For a brief 5-year period beginning in 1987, General Cigar suspended sales in response to a serious decline in demand for upscale cigars. Pet. App. 7a-8a; C.A. App. 268-69. But General Cigar always intended to resume use of the COHIBA mark, and actually did so in 1992. C.A. App. 268-69; *see also* Pet. App. 8a. In order to eliminate any risk of a claim of abandonment, General Cigar reregistered the mark in 1992 when it resumed sales of COHIBA cigars. Pet. App. 8a; C.A. App. 3196.

Cubatabaco, by contrast, never even tried to register the COHIBA mark in the U.S. until 1997. Pet. App. 7a, 9a. It registered the COHIBA mark in Cuba in 1969, and by 1978 had applied to register in 17 other countries, including virtually every nation of Western Europe. Pet. App. 7a. It could have registered the mark during the 9-year period preceding General Cigar's registration, despite the Embargo, *see* 31 C.F.R. § 515.527; this would have given it automatic priority under the Lanham Act. Cubatabaco took advantage of this process, filing at least 19 other registrations *in the U.S.*, including a registration for the Cuban COHIBA trade dress with another word mark (BEHIQUE). Pet. App. 7a; C.A. App. 3613.

Proceedings In The District Court. General Cigar's use and registration of COHIBA went unchallenged for nearly 20 years, until 1997, when Cubatabaco finally applied to register the mark in the U.S. and filed the complaint in this action. Pet. App. 9a. Cubatabaco sought, among other things, to cancel General Cigar's registrations and permanently enjoin General Cigar from using the mark. *Id.*

⁶ The registration issued in 1981, and in June 1986 the PTO determined that the mark had become "incontestable." C.A. App. 2121-22; *see* 15 U.S.C. § 1065.

at 10a. It asserted claims based on Sections 43 and 44 of the Lanham Act, international treaties, and state common law. *Id.* at 9a-10a. Cubatabaco's Section 43 claims originally included both infringement and false advertising claims, but before trial it voluntarily dismissed the false advertising claims. *Id.* at 10a.⁷

The district court granted Cubatabaco's motion for partial summary judgment, finding that General Cigar had abandoned its first registration when it temporarily stopped selling COHIBA cigars between 1987 and 1992. Pet. App. 11a. The court concluded that the evidence of General Cigar's intent to resume use of the mark when market conditions improved was insufficient to overcome abandonment under Second Circuit precedent, which it said required General Cigar to "come forward with objective, hard evidence of actual 'concrete plans to resume use' in the 'reasonably foreseeable future'" when the market conditions improved. *Empresa Cubana del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 268 (S.D.N.Y. 2002) (citation omitted).

The court held a bench trial where the primary issue was whether Cubatabaco had acquired ownership of the COHIBA mark in the U.S. before General Cigar filed its second registration. Pet. App. 12a, 123a. Employing an unprecedented interpretation of the rarely invoked "famous marks doctrine," the trial judge held that even though Cubatabaco had neither registered nor used the COHIBA mark in the U.S., it had acquired ownership of the mark here. Pet. App. 12a, 199a-200a. The court found that COHIBA was virtually unknown in the U.S. in December 1991; it nonetheless concluded that references to COHIBA in a single issue of a new U.S. magazine introduced in

⁷ Claims Seven, Eight, and Nine of the Complaint were the only Section 43(a) claims. See C.A. App. 50-51. Claim Seven was an infringement claim; Claims Eight and Nine were false advertising claims. *Id.* Cubatabaco voluntarily dismissed Claims Eight and Nine. Pet. App. 10a.

September 1992 made the mark sufficiently famous before General Cigar launched a new COHIBA cigar two months later to give Cubatabaco priority ownership of the mark here. Pet. App. 195a-196a; *see also id.* at 220a (Cuban COHIBA "relative[ly] obscur[e]" in January 1992).

The district court did *not* find that General Cigar's 1992 registration failed to satisfy any of the statutory prerequisites for registration or that any statutory ground for cancellation set forth in Section 14 had been satisfied. In fact, both courts below concluded that General Cigar adopted and used the COHIBA mark in the good faith belief that it owned the mark. Pet. App. 47a, 209a-213a. The district court nevertheless granted Cubatabaco's claim for trademark infringement; ordered cancellation of General Cigar's registration; and permanently enjoined General Cigar from all use of the COHIBA word mark in connection with any product or service. Pet. App. 15a; C.A. App. 2675-76.

Proceedings On Appeal. On appeal, General Cigar argued, among other things, that (1) it did not abandon its 1978 registration; (2) the famous marks doctrine did not provide a basis to cancel General Cigar's second registration; (3) the Embargo barred Cubatabaco from acquiring trademark rights in the U.S. by any means other than registration; and (4) Cubatabaco's failure to assert its rights prior to 1997 barred its claims as a matter of equity. Pet. App. 16a. The Second Circuit invited the Department of the Treasury and the Solicitor General to submit their views on whether Cubatabaco's acquisition of the COHIBA mark under the famous marks doctrine was prohibited by the Embargo. Pet. App. 17a. The government responded with the *amicus* letter brief upon which the Petition relies. Pet. App. 51a-75a.

1. *The Embargo Regulations.* The government concluded that "Cubatabaco's acquisition of the United States rights to the COHIBA mark through the famous

marks doctrine, as found by the district court, was a transfer by operation of law that is prohibited by the [Embargo] Regulations," Pet. App. 61a, and therefore the district court's finding of trademark infringement under Section 43(a) had to be reversed. Although the Petition claims that the Second Circuit "rejected the Executive's construction of the [CACR]," Pet. at 6, the Second Circuit in fact adopted the government's view. Pet. App. 18a-19a.

Based on the language of the CACR, including the broad prohibition on transfers of any property right, including transfers by operation of law, the government concluded that Cubatabaco's acquisition of the U.S. rights to the COHIBA mark through the famous marks doctrine "created or vested a property right in Cubatabaco, and was therefore prohibited absent a general or specific license." Pet. App. 62a. The Second Circuit agreed. Pet. App. 22a. The Petition notwithstanding (Pet. at 7, 19), the Second Circuit and the government also agreed that there is no general or specific license that would allow Cubatabaco to acquire the COHIBA mark through the famous marks doctrine. Pet. App. 65a, 67a, 27a, 28a.

2. *The Lanham Act.* Where the Second Circuit and the government differed was not on the CACR, but on the Lanham Act—a statute that the Treasury Department is not charged with administering. Cubatabaco itself characterized the Government's argument as a "construction of the Lanham Act" (Cubatabaco Response to U.S. Amicus Letter at 14 (Dec. 3, 2004) ("Cuba Letter Brief"); see also *id.* at 7), and the Second Circuit agreed. See Pet. App. 31a. The government conceded that the district court's infringement finding had to be reversed. Pet. App. 61a. It suggested, however, that under some circumstances Section 43(a) might authorize cancellation and an injunction against all use of a mark even if the plaintiff does not own the mark. Pet. App. 70a-71a. This was, of course, never presented to the district court. Nevertheless, the

government opined that it might entitle Cubatabaco to relief, if the Second Circuit affirmed all of the district court's factual findings (which it never had occasion to do). Pet. App. 72a.

The Second Circuit properly disagreed with the government's Lanham Act argument, to which it owed no deference. It recognized that in some circumstances, Section 43(a) might allow a plaintiff who did not own the mark to bring a claim for unfair competition. Pet. App. 32a. It concluded, however, that no such theory applied here, because Cuabtabaco's claim "turn[ed] on the right to use the COHIBA mark." Pet. App. 32a. Because Cubatabaco never used or acquired ownership of the mark before General Cigar used and registered it in this country, the Second Circuit held that General Cigar owns the COHIBA mark in the U.S. and has the right to use it here as it has done for almost 27 years; and Cubatabaco cannot prevent General Cigar from using its registered mark under Section 43(a) as a matter of law. Pet. App. 33a-34a. "To allow Cubatabaco to prevail on a claim of unfair competition against General Cigar and to obtain an injunction prohibiting General Cigar from using the mark would turn the law of trademark on its head. None of United States law, the facts in this case, or international treaties warrants such acrobatics in this case." Pet. App. 34a.

3. *The Paris Convention.* Cubatabaco strains to suggest that the government accepted its view that Article 6bis of the Paris Convention somehow provides an extrastatutory basis for canceling General Cigar's registration. Pet. App. 35a. Cubatabaco characterizes the government's *amicus* letter as concluding that "the United States is 'required' by Article 6bis to grant cancellation and injunctive relief on the facts found by the district court," Pet. at 5 (emphasis added by Petitioner); *see also id.* at 21. In fact, the government never claimed that 6bis itself confers any freestanding rights, arguing only that 6bis

bolstered its unprecedented interpretation of Section 43(a). In part 3 of its letter, the government *rejected* Cubatabaco's argument that Article 6bis vested it with rights under the famous marks doctrine, explaining that Article 6bis "*does not require* that the holder of a 'famous' mark automatically acquire the trademark rights in the host country." Pet. App. 66a (emphasis added). And in part 5, the section in which the government opined that the relief ordered by the district court might be affirmed on a non-trademark infringement theory under Section 43(a), the government conspicuously refrained from saying that Article 6bis would *require* relief independent of the Lanham Act. Quite the contrary: the government argued that 6bis should not be construed to confer rights that would go beyond "the text of the Lanham Act," because the Act "carr[ies] out by statute our international commitments." Pet. App. 72a (citation omitted).

The Petition's claim that the Second Circuit "found *implicit* treaty abrogation" with respect to 6bis (Pet. at 8) is also wrong. The Second Circuit reached two independent, alternative conclusions. First, it assumed without deciding that "Cubatabaco may be correct that Sections 44(b) and (h) [of the Lanham Act] incorporate Article 6bis and allow foreign entities to *acquire U.S. trademark rights* in the United States if their marks are sufficiently famous in the United States before they are used in this country." Pet. App. 37a (emphasis added). However, the Court never reached this question because it (like the government) had already concluded that the Embargo prevents Cubatabaco from acquiring U.S. trademark rights based on the fame of the mark. Pet. App. 38a. It held that Article 6bis and Section 44(b) and (h) of the Lanham Act do not "require cancellation of General Cigar's properly registered trademark or an injunction against its use of the mark in the United States under these circumstances," *i.e.*, where Cubatabaco never acquired the U.S. rights to the mark and

General Cigar has been the duly, "properly," registered owner and good faith user for nearly 30 years. *Id.*

Second and alternatively, the Second Circuit stated that if the Paris Convention posed an irreconcilable conflict with the Embargo—a *finding it did not make*—then the Embargo would control. *Id.* The most recent revision of the Paris Convention was in 1973, whereas Congress reaffirmed and codified the Embargo Regulations in 1996 in the LIBERTAD Act. Pet. App. 38a-39a. This alternative holding does not contradict any of the government's positions. Contrary to Cubatabaco's suggestion (Pet. at 8, 16, 22), the government never stated that Article 6bis "obligations continue in effect" after the passage of the LIBERTAD Act notwithstanding any conflict between the Embargo and 6bis. The government never discussed whether the LIBERTAD Act would trump 6bis in the event of a conflict because the government's interpretation of the *Lanham Act* would not implicate any such conflict.

4. *Additional Issues.* In light of the Second Circuit's ruling on the Embargo, that Court did not decide several issues General Cigar raised on appeal that would also have required reversing the district court's infringement ruling. For example, it did not decide whether the district court properly concluded that General Cigar abandoned its first registration. However, the Second Circuit strongly implied that the abandonment ruling was wrong, noting that the district court imposed a higher burden on General Cigar to overcome the presumption of abandonment from a period of nonuse than governing precedent actually required. Pet. App. 11a n.2. If the abandonment ruling were reversed, the issues raised in the Petition would be moot, because General Cigar would be the duly registered owner and user of the COHIBA mark in the U.S. long before it ever purportedly became famous here.

REASONS FOR DENYING THE WRIT

For almost 30 years, Petitioner made no effort whatsoever to register the COHIBA mark in the U.S. General Cigar, by contrast, has used the mark in good faith for a quarter century and registered it twice. Accordingly, the Second Circuit held that "General Cigar's legal right to the COHIBA mark has been established as against Cubatabaco." Pet. App. 34a. Cubatabaco petitioned for rehearing *en banc*, making the very same arguments raised in the Petition for Certiorari. See Petition for Rehearing and Rehearing *En Banc* (Mar. 24, 2005) at 6 (Panel "Disregard[ed] ... Deference Due to the Executive's Interpretation of Its Own Embargo Regulations"), 8 (Panel "Disregard[ed] ... Executive's Interpretation of U.S. Treaty Obligations"), 12 (Panel "Disregard[ed] the 'Clear Purpose' Test for Congressional Abrogation of Treaty Rights by Ignoring the U.S. Interpretation of the CACR"). But the Executive, whose prerogatives the Petition so zealously defends, did not file a brief in support of rehearing.

Certiorari should be denied. The Second Circuit's decision is not in conflict with any other court of appeals decision, and the Petition does not even attempt to demonstrate that the decision below misstated the legal standards articulated by this Court. The main issue raised in the Petition—the deference due to the Executive's interpretation of its Embargo regulations—is not even presented under a proper reading of the decision below. The Second Circuit *agreed* with the government's reading of the Embargo regulations. The Second Circuit reversed because *the Lanham Act* does not permit affirmance of an order granting an infringement remedy where Petitioner could not establish infringement and had dismissed its non-trademark infringement claims. Nor does this pure Lanham Act issue warrant review. The Second Circuit correctly held that the Act does not authorize a non-owner to enjoin a senior user's good faith use of the mark and cancel its

registration based on such good faith use. The Petition does not cite, and Respondents are unaware of, any court of appeals decision to the contrary. And Cubatabaco cannot dispute that it never acquired ownership rights in the COHIBA mark—through the operation of the famous marks doctrine or otherwise.⁸ From that premise, the Second Circuit's inevitable and correct conclusion was that Cubatabaco does not possess the right to cancel General Cigar's registration or enjoin all use of the mark.

The Petition's secondary and tertiary issues fare no better. When determining whether the LIBERTAD Act would trump the Paris Convention, *if there were any conflict* (an issue it did not reach), the Second Circuit identified and applied the correct legal standards. Its decision creates no conflict with any other circuit. Likewise, the Second Circuit's decision that the Inter-American Convention does not afford Cubatabaco an extrastatutory cause of action is not in conflict with any other court of appeals.

Finally, Cubatabaco's assertion that review is warranted because the Second Circuit's decision places the U.S. in violation of its treaty obligations is groundless. The decision below was heavily tied to the specific facts of this case—an embargoed entity that had failed to seek registration of its mark for decades, failed to prove bad faith, and failed to pursue any remedy short of total exclusion of General Cigar from use of the mark. Petitioner cites no case that would

⁸ The Petition nowhere challenges the Second Circuit's holding that "the Embargo Regulations bar Cubatabaco's acquisition of property rights in the U.S. COHIBA trademark through the famous marks doctrine," and that "Cubatabaco claims no other basis for owning the mark." Pet. App. 18a-19a. And the Petition concedes that the U.S., speaking authoritatively as to the scope of the Embargo, determined that the Embargo "bars Cubatabaco from obtaining ownership of the United States trademark for COHIBA on account of the Cuban COHIBA's renown." Pet. at 7; *id.* at 20 ("The CACR expressly bar the unlicensed acquisition of trademarks subject to U.S. jurisdiction") (emphasis omitted).

have interpreted the Paris Convention to require relief under these circumstances, and the Petition presents no issue that requires this Court's attention.

I. THIS CASE PRESENTS NO DEFERENCE ISSUE BECAUSE THE SECOND CIRCUIT DEFERRED ENTIRELY TO THE EXECUTIVE'S INTERPRETATION OF THE CACR, DISAGREEING ONLY ON CONSTRUCTION OF THE LANHAM ACT

Although Cubatabaco invites this Court to review the deference owed "to the Executive's" interpretation of "its embargo regulations," Pet. at i, this case does not present any deference issues: *the Second Circuit deferred completely to the Executive's construction of those regulations.* The government informed the Second Circuit that the Embargo prohibits Cubatabaco from acquiring rights to the COHIBA mark in the U.S. under the famous marks doctrine and therefore the district court's finding of trademark infringement under Section 43(a) of the Lanham Act had to be reversed. Pet. App. 61a. And that is exactly what the Second Circuit held. Pet. App. 18a-19a. *But see* Pet. at 2 (claiming the Second Circuit "refused to apply deference principles" to the Executive's interpretation of the Embargo Regulations); *id.* at 10 (same).⁹

Where the U.S. and the Second Circuit differed was on construction of the Lanham Act. The U.S. took the position that the Lanham Act would permit the cancellation and injunction orders even without a finding that Cubatabaco owned the mark. *See* Pet. App. 68a-74a (construing Section

⁹ The Petition strains to suggest that the Second Circuit found the government's construction of the Embargo "inconsistent." *See* Pet. at 10, 19-21. In fact, the Second Circuit embraced the government's view of the Embargo, disagreeing only as to the Lanham Act. Thus, *National Cable & Telecommunications Association v. Brand X Internet Services*, 125 S. Ct. 2688 (2005), is immaterial and a summary reversal would be inappropriate.

43(a) of the Lanham Act). The Second Circuit disagreed, holding that allowing such relief on these facts “would turn the law of trademark on its head.” Pet. App. 34a.¹⁰ And the Second Circuit was free to do so, because it owed no deference to the government’s interpretation of *the Lanham Act*.¹¹

As a simple question of Lanham Act construction, this case is not certworthy. Cubatabaco no longer argues that it can own the COHIBA mark in the U.S. It has not cited, and respondents are unaware of, *any* case in which a court of appeals has held that a non-owner of a trademark may secure cancellation and a bar on all use of a mark by a party who has registered the mark; been found to be the priority holder of the mark; and has not acted in bad faith.

1. Cubatabaco abandoned its false advertising claims before the district court. *See supra* n.7. Accordingly, that court’s decision rested on an infringement theory, *see* Pet.

¹⁰ The Second Circuit also found, “[a]n initial matter,” that such relief “would effect a transfer of property rights to a Cuban entity in violation of the embargo.” Pet. App. 29a. That finding was correct, as explained *infra* Point II.2. But the Petition errs in characterizing it as the “sole basis for the Second Circuit’s ruling.” *See* Pet. at 17; *accord id.* at 6, 27.

¹¹ The Petition does not and cannot argue that the Government’s analysis of the Lanham Act was entitled to any deference. The PTO, the only agency authorized to enforce the Lanham Act, is empowered to manage the principal and supplemental registers. *See* 15 U.S.C. §§ 1051, 1091. The PTO’s responsibility thus reaches only whether a mark may properly be registered—but not what remedies, if any, a non-mark owner may obtain under Section 43(a). Those are questions reserved for federal courts. 15 U.S.C. § 1121 (original jurisdiction in federal district courts); *id.* § 1116 (vesting authority to issue injunctions in federal courts). And even on matters within the PTO’s competence, a court would only owe deference to its official decision—not to an informal letter brief that cites *no* PTO decision. *See Christensen v. Harris County*, 529 U.S. 576, 586-87 (2000). The U.S.’s *amicus* letter does not even *purport* to state the PTO’s authoritative views, instead opining that “it does not appear that the acquisition of a U.S. trademark by Cubatabaco is a necessary predicate for the remedies entered by the district court.” Pet. App. 68a (emphasis added).

App. 179a, and its cancellation and injunction orders rested on a determination that Cubatabaco owned the COHIBA mark in the U.S. Pet. App. 180a, 223a; *see also id.* 253a-254a. On appeal, Cubatabaco sought to defend the judgment on the ground that it owned the mark by operation of law under the famous marks doctrine. After briefing and argument, the U.S. submitted its views, and Petitioner then sought leave to advance "additional legal theories supporting affirmance." Cuba Letter Brief at 14. Petitioner did not attempt to revive its abandoned false advertising claims. Instead, it tried to shoehorn its new argument into the infringement category, labeling its claims "product infringement" or "false association." *See* Cuba Letter Brief at 8, 11. The Second Circuit exercised its discretion to consider Cubatabaco's additional theories, Pet. App. 31a, but also held that Cubatabaco had waived its non-trademark infringement false advertising claims. Pet. App. 32a-33a.

That waiver defeated Cubatabaco's legal theory, and it now defeats the Petition. The Second Circuit held that Section 43(a) reaches only two "types of 'unfair competition': (1) infringement of even unregistered marks, names and trade dress, and (2) 'false advertising.'" Pet. App. 32a (citation omitted); *see also* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 27:9 (4th ed. 2005) (1989 revisions to § 43(a) codified case law construing § 43(a) as reaching only infringement and false advertising); *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) (listing only "infringement" and "false-advertising" when considering scope of Lanham Act).¹² The Petition does not identify, and Respondents have not found, any court of appeals decision

¹² The Second Circuit properly recognized this Court's admonition in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29 (2003), that Section 43(a) "goes beyond trademark protection," but also recognized that it "can never be a federal codification of the overall law of unfair competition." *See* Pet. App. 32a (quoting *Dastar*).

to the contrary. As a matter of "construction of the Lanham Act," Pet. App. 31a (citation omitted), the Second Circuit rejected Cubatabaco's theory that Section 43(a) could reach claims other than trademark infringement and false advertising. See Pet. App. 32a. Having waived false advertising, therefore, Cubatabaco could only prevail if it could prove infringement. But because Cubatabaco could not own the COHIBA mark, it could never prove infringement.¹³

2. Moreover, even if Section 43(a) included some class of non-trademark infringement claim that Petitioner did not waive or abandon, settled law would preclude Cubatabaco from obtaining the broad relief it seeks. "The nature of common-law trademark rights in large measure determines the appropriate scope of any injunctive relief." *Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 269 (4th Cir. 2003). The injunction under review barred *all* use of the COHIBA mark. Because that relief constitutes the power to exclude, which is an incident of *ownership*, it can only be justified by a showing that Cubatabaco owned the mark. Cubatabaco implicitly concedes this. The Petition itself describes the relief sought as "relief to which [Cubatabaco] ... is entitled *as the owner* of a 'well-known' foreign mark." Pet. at 22 (emphasis altered).

Construing the Lanham Act, the U.S. opined that "it does not appear that the acquisition of a U.S. trademark by Cubatabaco is a necessary predicate for the remedies issued by the district court." Pet. App. 68a. However, none of the citations proffered by the U.S. actually supported that

¹³ It is axiomatic that a party must prove it owns a trademark to claim infringement. 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§ 1:2, 27:13 (4th ed. 2005); 4 McCarthy on Trademarks § 27:13; see also *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 291 (3d Cir.) (trademark infringement requires, among other things, proof that "the marks are owned by the plaintiff") (citation omitted), cert. denied, 502 U.S. 939 (1991).

conclusion and the Second Circuit correctly held that cancellation and injunction are products of the power "to exclude General Cigar from commercial use of the COHIBA mark in the United States." Pet. App. 29a. The Second Circuit's holding was consistent with this Court's teaching that the Lanham Act only grants a right of exclusion to trademark owners able to show infringement. *See, e.g., Coll. Sav.*, 527 U.S. at 673; *K Mart Corp. v. Cartier, Inc.*, 485 U.S. 176, 185-86 (1988) ("Trademark law ... confers private rights, which are themselves rights of exclusion. It grants *the trademark owner* a bundle of such rights ...") (emphasis added). For example, in *College Savings Bank*, this Court recognized that one prong of Section 43(a) "protect[ed] constitutionally cognizable property interests"—namely the "provisions dealing with infringement of trademarks, which are the 'property' of the owner because he can exclude others from using them." 527 U.S. at 673. By contrast, however, the "Lanham Act's false-advertising provisions ... bear no relationship to any right to exclude." *Id.*

In *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir. 1997), the "Honey Brown" mark was found to be generic as to the senior user's product, barring it from owning the mark. *Id.* at 148-49. The Second Circuit nevertheless permitted the senior user to bring suit under Section 43(a) and secure a limited injunction. But, following this Court's precedent, it held that "an injunction forbidding [the junior user] from using the [mark] on its product" would be inappropriate—authorizing courts to "go only so far as to alleviate the source confusion ... and no further." *Id.* at 151 (citation omitted). The injunction under review here was not similarly narrow; it did not, for example, simply require General Cigar "to distinguish its product or to notify consumers explicitly that its product does not come

from” Cuba. *Id.* (citation omitted).¹⁴ Rather, it did what *Genesee* forbade: it prohibited all use of the mark. The Second Circuit’s holding here is fully consistent with *Genesee*’s teaching—which Cubatabaco does not even suggest conflicts with any other circuit’s decision.

3. Finally, it is difficult to imagine a circumstance in which a non-owner without priority could enjoin a mark owner with priority from *all* use of the mark, absent a showing of bad faith on the part of the senior user. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918) (“[A] prior use of a trade-mark in a foreign country [does] not entitle its owner to claim exclusive trade-mark rights in the United States as against one who in good faith had adopted a like trade-mark here prior to the entry of the foreigner into this market.”); *Person’s*, 900 F.2d at 1570 (“Knowledge of a foreign use does not preclude good faith adoption and use in the United States.”). The Second Circuit has distinguished the leading famous marks doctrine case as involving “conscious fraud.” *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1042 (2d Cir. 1980). Yet here, the district court found that General Cigar acted in good faith. See Pet. App. 47a, 209a–213a. Cubatabaco did not appeal this finding and does not challenge it in the Petition.

¹⁴ Nor would such an injunction be necessary or appropriate, because General Cigar voluntarily labels its product as “Never associated with the Cuban cigar sold under the same name outside the U.S. Not made from Cuban-grown tobacco.” See General Cigar’s Response to the U.S.’s *Amicus* Letter at 7 (Dec. 6, 2004).

II. THE SECOND CIRCUIT'S HOLDING THAT THE TERMS OF THE CUBAN EMBARGO ARE PLAINLY INTENDED TO SUPERSEDE ANY CONFLICTING TREATY PROVISIONS WAS BASED ON A SETTLED AND CORRECT LEGAL STANDARD

No certworthy question arises from the Second Circuit's conclusion that *if* Article 6*bis* conflicts with the CACR, then the latter controls. Pet. App. 38a.¹⁵ No case of which Respondents are aware has ever held to the contrary. And the Petition concedes that the Second Circuit applied the correct legal standard. Compare Pet. at 23 (articulating "clearly expressed" standard) with Pet. App. 38a (applying "clearly contradict[s]" standard). At best, then, the "asserted error consists of ... the misapplication of a properly stated rule of law." S. Ct. R. 10. This Court found the identical argument uncertworthy the last time it was presented. See Petition for a Writ of Certiorari at 15-18, *Havana Club Holding, S.A. v. Bacardi & Co.*, No. 99-1957 (U.S. June 1, 2000). Nothing has changed.

1. Congress enacted the LIBERTAD Act in 1996 to express its intent to confine Cuban nationals to the CACR's provision for registration of intellectual property. See 22 U.S.C. § 6032(h) (1996). The most recent revision of the Paris Convention was ratified in 1973. See 24 U.S.T. 2140. The LIBERTAD Act required the President to "instruct the Secretary of the Treasury and the Attorney General to enforce fully the Cuban Assets Control Regulations" and codified "[t]he economic embargo of Cuba, as in effect on March 1, 1996, including all restrictions under part 515 of

¹⁵ The Second Circuit, of course, never actually concluded there was a conflict, because it held that 6*bis* does not require cancellation in this case. Pet. App. 38a. The Court only addressed abrogation in the alternative, noting that *if* Cubatabaco were correct that 6*bis* entitled it to the relief ordered below, then Article 6*bis* would be brought into irreconcilable conflict with the LIBERTAD Act and the Act would control.

title 31, Code of Federal Regulations." 22 U.S.C. § 6032(c), (h). And the CACR imposed a comprehensive Embargo on Cuba. See 31 C.F.R. § 515.201(b)(1).¹⁶ Thus, if Article 6bis does require a cancellation and injunction order in this case, it is abrogated to that extent by the Embargo. "The duty of the courts is to construe and give effect to the latest expression of the sovereign will." *Whitney v. Robertson*, 124 U.S. 190, 195 (1888). The LIBERTAD Act constitutes the latest expression of the sovereign will. Pet. App. 38a-39a.

The rule requiring Congress to "clearly express[]" intent to abrogate a treaty, *Cook v. United States*, 288 U.S. 102, 120 (1933), does not authorize the subjective inquiry contemplated by the Petition. See, e.g., Pet. at 23-24. "Congress is not required to investigate the array of international agreements that arguably provide some protection that it wishes to annul and then assemble a check-list reciting each one. What is required is a clear expression by Congress of a purpose to override protection that a treaty would otherwise provide." *Havana Club*, 203 F.3d at 124. And *Havana Club* found that that "the LIBERTAD Act, by codifying the CACR, provides unmistakable evidence of congressional purpose" and thus satisfied the clear expression test with respect to provisions

¹⁶ The Petition theorizes that LIBERTAD, by codifying the CACR "as in effect on March 1, 1996," codified an embargo that had been limited by the 1973 revisions to the Paris Convention. Pet. at 23-24. But the 1973 revisions in no way affected the scope of the Embargo, because they did not alter Article 6bis, the only provision of the Paris Convention upon which Cubatabaco relies. Compare 13 U.S.T. 1 (1962) with 21 U.S.T. 1583 (1970) and 24 U.S.T. 2140 (1973). At a minimum, the 1973 ratification did not clearly limit the scope of the Embargo. See *United States v. Lee Yen Tai*, 185 U.S. 213, 221 (1902) (treaty will only be found to abrogate statute if such intent "appear[s] clearly and distinctly" in the text of the treaty). And in any event, the CACR accommodates U.S. obligations under Article 6bis by providing an exception to the Embargo for Cuban firms to register their intellectual property—an exception that is *textual*, rather than the product of Petitioner's imagination.

of the IAC. *Id.*; see also Pet. at 55a, 56a, 60a, 65a n.7, 72a (U.S. *amicus* letter citing *Havana Club* with approval).¹⁷

The LIBERTAD Act meticulously chronicles the rationale for the government's "consistent policy" of decades of "sanctioning the totalitarian Castro regime" by enforcing the Embargo. See Pub. L. No. 104-114, § 2(8), 110 Stat. 785, 786 (1996). The comprehensiveness of the Embargo expresses a hostility towards any recognition of property rights to Cuban nationals, outside of the CACR's specific exceptions. See *Clark v. Allen*, 331 U.S. 503, 510 (1947). The CACR is "a carefully matured enactment," whose clearly delineated prohibitions and exceptions should be respected, unlike the makeshift patchwork of provisions in *Clark* and *Guessefeldt v. McGrath*, 342 U.S. 308, 319 (1952) (cited in Pet. at 15).

2. Perhaps in recognition of these facts, the Petition retreats to its deference arguments. See, e.g., Pet. at 21-22. But (contrary to the Petition's claim at 23-24) the government never addressed whether 6bis survived the Embargo, because it believed that its interpretation of the Lanham Act reconciled the two. See Pet. App. 71a ("[T]his conclusion also harmonizes the [Lanham] Act with Article 6bis"). This was hardly a "confirm[ation] that the United States' Article 6bis obligations to Cuba remain in effect" even if they conflict with the Embargo. Pet. at 22.

Moreover, the CACR specifically forbids "any ... act ... the ... effect of which is to create ... transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property." 31 C.F.R. § 515.310 (emphasis added). The government never suggested that this strict language permits an indirect transfer of property

¹⁷ The district court in *Havana Club* implied that the same reasoning would hold true for the Paris Convention, which it observed might have allowed a transfer of trademark registration rights by a Cuban company were it not for the CACR. *Havana Club Holding, S.A. v. Galleon S.A.*, 974 F. Supp. 302, 309 n.6 (S.D.N.Y. 1997).

rights. Rather, it applied the Lanham Act to conclude that a cancellation and injunction order "gives no property right to Cubatabaco," because it affects "only the property of General Cigar." Pet. App. 60a. The Second Circuit disagreed—as it was free to do—holding that "granting Cubatabaco the injunctive relief sought would effect a transfer of property rights to a Cuban entity," to wit, "the right, privilege, and power to exclude General Cigar from using its duly registered mark." Pet. App. 29a-30a.

3. Moreover, to the extent of any conflict with Article 6bis, the LIBERTAD Act is consistent with a national security exception. The Trademark-Related Aspects of Intellectual Property Rights ("TRIPS") agreement of the World Trade Organization requires its members (including the U.S. and Cuba) to implement certain provisions of the Paris Convention. But Article 73 of TRIPS provides a blanket exclusion for actions a signatory nation "considers necessary for the protection of its essential security interest." 33 I.L.M. 81, art. 73 (1994). And Congress has expressly found that "the Cuban Government has posed and continues to pose a national security threat to the United States." 22 U.S.C. § 6021(28); *see also supra* 2 & n.1 (noting similar policy expression by Executive). While a court must find a "clear expression" before determining that a statute *abrogates* a treaty obligation, there is no comparable rule requiring Congress to clearly state its intent to *invoke a textual exception* to a treaty.

III. THE SECOND CIRCUIT'S CONSTRUCTION OF THE INTER-AMERICAN CONVENTION DOES NOT CONFLICT WITH ANY DECISION OF ANY CIRCUIT

Cubatabaco has failed to identify any certworthy issue in connection with the Second Circuit's conclusion that it does not have an independent cause of action under Articles 7

and 8 of the IAC.¹⁸ Pet. App. 43a. The decision does not conflict with that of any other circuit, and the government never addressed this issue in its *amicus* brief.

Cubatabacco suggests that a Trademark Trials and Appeals Board ("TTAB") decision, *British-American Tobacco Co. v. Philip Morris Inc.*, 55 U.S.P.Q.2d (BNA) 1585 (T.T.A.B. 2000), creates a split of authority warranting this Court's review. But TTAB decisions are administrative law decisions, reviewable *de novo* by either the Federal Circuit or a district court. 15 U.S.C. § 1071; e.g., *In re Dial-A-Mattress Operating Corp.*, 240 F.3d 1341, 1344 (Fed. Cir. 2001). The Federal Circuit has never decided whether the TTAB's decision on Article 8 was correct and may never do so because the TTAB ultimately rendered its decision on the merits without reaching the IAC claim. *British-American Tobacco Co. Ltd. v. Philip Morris USA, Inc.*, 2004 TTAB LEXIS 472, at *31 (T.T.A.B. Aug. 4, 2004) (unpublished opinion). No circuit other than the Second has ever addressed this issue.

Moreover, the Second Circuit's opinion here was a straightforward application of its own precedent in *Havana Club*, which this Court has already declined to review. The Court held simply that Articles 7 and 8 do not provide independent causes of action because the Lanham Act already fully implements those provisions. Pet. App. 42a-43a. This decision is fully consistent with the treaties and the manner in which Congress has chosen to execute them. Articles 7 and 8 expressly require that a foreign entity

¹⁸ The Petition notwithstanding, the Second Circuit did not hold that the Lanham Act "implicitly abrogates IAC Articles 7 and 8." Pet. at 9; see also *id.* at 11, 28. Rather, the Second Circuit held that Section 44(d) of the Lanham Act already fully embodied the requirements of Articles 7 and 8. Pet. App. 41a-43a. This holding rested on the text of the Lanham Act, not its legislative history. See *id.* But see Pet. at 11. The Second Circuit also explicitly held that, for the same reason, "Cubatabacco cannot assert claims under Articles 7 and 8 pursuant to Section 44(h)." Pet. App. 42a. The Petition simply ignores this holding. See Pet. at 29.

seeking to assert priority against a mark must "comp[ly] with the requirements established by the domestic legislation" in the country where priority is sought. *Id.* at 99a (Article 7); *id.* (Article 8) (cancellation must be "in accordance with the legal procedure of the country in which cancellation is sought"). The domestic legislation governing priority of foreign marks in this country is Section 44(d) of the Lanham Act. That section provides that a foreign entity can obtain priority in the U.S. from the date of its foreign registration as long as it files within six months of that foreign registration and states that it has a "bona fide intention to use the mark in [U.S.] commerce." 15 U.S.C. § 1126(d). Cubatabaco never established priority in accordance with Section 44(d) because it chose not to file a U.S. application within six months after it first filed in Cuba. Thus, the Second Circuit's holding that the IAC does not permit Cubatabaco to evade the consequences of its own failure to comply with the Lanham Act, Pet. App. 42a-43a, does not warrant this Court's review.

IV. THE SECOND CIRCUIT'S DECISION DOES NOT CREATE ISSUES OF EXCEPTIONAL NATIONAL IMPORTANCE WARRANTING THIS COURT'S INTERVENTION

Cubatabaco strains to create the impression that the Second Circuit's decision has somehow placed the U.S. in violation of its treaty obligations. *E.g.*, Pet. at 3 ("The Second Circuit's rulings ... place the United States in violation of its acknowledged treaty obligations ..."); *id.* at 22. Were that true, one might have expected the U.S. to join Cubatabaco's petition for rehearing *en banc*. It did not, perhaps because the decision below was narrowly confined to the particular, unique facts of this case—especially the existence of the Embargo—and cannot reasonably be construed as touching upon the nation's treaty obligations. Indeed, the Second Circuit expressly declined to address the Paris Convention issue raised in the Petition.

1. The Second Circuit went out of its way to avoid deciding whether (absent an embargo) Article 6bis, which requires member states to protect "well-known" marks, would afford relief to a party in Cubatabaco's position. Cubatabaco argued below that it was entitled to the relief it seeks under Article 6bis, as implemented through Sections 44(b) and (h) of the Lanham Act. Pet. App. 36a. Far from holding that Article 6bis does not afford a remedy to a foreign owner of a "famous" mark, the Second Circuit observed that "Cubatabaco *may be correct* that Sections 44(b) and (h) incorporate Article 6bis and allow foreign entities to acquire U.S. trademark rights in the United States if their marks are sufficiently famous in the United States before they are used in this country." Pet. App. 37a (emphasis added). It then refrained from deciding "that broad question here because even assuming that the famous marks doctrine is otherwise viable and applicable, the embargo bars Cubatabaco from acquiring property rights in the U.S. COHIBA mark through the doctrine." *Id.* at 38a. The court below accordingly rested this aspect of its holding squarely on the Embargo.

Nor would a holding that Cubatabaco had no remedy based on the Paris Convention (had one been made) conflict with the Executive's interpretation of U.S. treaty obligations. The government recognized that Article 6bis should not be construed to confer rights that would go beyond "the text of the Lanham Act," because the Act "carr[ies] out by statute our international commitments." Pet. App. 72a (citation omitted). The government never suggested that Article 6bis independently required the relief below. *See supra* at 10-11.

2. Even if there were circumstances under which Article 6bis might enable the foreign owner of a famous mark never used in the U.S. to obtain cancellation and an injunction against all use by a U.S. registrant, they would not apply here. Whether the treaty would protect Cuba

absent the Embargo turns on several unresolved questions of fact and law that should be decided against Cubatabaco.

a. Cubatabaco's claim under Article 6*bis* depends upon a finding that its mark was famous in the U.S. when General Cigar began using the COHIBA mark here. Because it is undisputed that the Cuban COHIBA was not famous in the U.S. before 1992 (at the earliest), Pet. App. 220a, if General Cigar did not abandon its 1978 registration, there could be no violation of the Paris Convention under any view. And the Second Circuit clearly believed that the district court's abandonment decision was wrong and would so rule if a reversal by this Court required it to address the issue. See Pet. App. 11a n.2.¹⁹

b. The Paris Convention only requires member states to accord "national treatment" to other member states, i.e., "same protection as [nationals], and the same legal remedy against any infringement of their rights, provided that the *conditions and formalities imposed upon nationals* are complied with." Paris Convention, art. 2(1), Pet. App. 94a (emphasis added); see also *id.*, art. 25(2), Pet. App. 96a ("It is understood that, at the time a country deposits its

¹⁹ The correct standard merely requires the defendant to show "an intention to resume use 'within the reasonably foreseeable future.'" Pet. App. 11a n.2 (citation omitted). The record clearly contained sufficient evidence to satisfy that standard. General Cigar witnesses testified that it temporarily stopped selling COHIBA cigars from 1987-92 in response to a serious decline in demand for premium cigars, but that it always intended to resume use when the market conditions improved and, in fact, did precisely that in 1992. *E.g.*, C.A. App. 290. In March 1987, General Cigar prepared a list of 29 trademarks it intended to abandon; this list did not include COHIBA. *Id.* at 227-28. In November 1990, General Cigar demanded that a company cease and desist use of a mark confusingly similar to COHIBA. *Id.* at 3250. And in April 1991, it asked its trademark counsel to conduct searches on international registrations of COHIBA so that it could apply to register the mark in foreign countries. Ex. 189 to Declaration of David Goldstein in Support of Plaintiff's Motion for Partial Summary Judgment (Feb. 5, 2002) (filed under seal); see also C.A. App. 1983, 2008.

instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.”). And every circuit that has decided this issue agrees with the Second Circuit’s conclusion that the Convention does not confer any substantive rights beyond those provided in the Lanham Act. Pet. App. 37a, 46a; see also *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1298-99 (3d Cir. 1979); *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 908 (9th Cir. 2002), cert. denied, 537 U.S. 1171 (2003); *Int’l Café, S.A.L. v. Hard Rock Café Int’l (U.S.A.), Inc.*, 252 F.3d 1274, 1277-78 (11th Cir. 2001); *Yamaha Corp. of Am. v. United States*, 961 F.2d 245, 258-59 (D.C. Cir. 1992), cert. denied, 506 U.S. 1078 (1993); *In re Rath*, 402 F.3d 1207, 1211-12 (Fed. Cir. 2005); cf. *Ortman v. Stanray Corp.*, 371 F.2d 154, 157 (7th Cir. 1967).

Because the Paris Convention is implemented through the Lanham Act, Cubatabaco must be subject to the same “conditions and formalities” of Section 43(a) as required for U.S. citizens, including the threshold showing of ownership discussed above that Cubatabaco now concedes it cannot make. The provisions in the Lanham Act that implement the treaties reinforce this point. See, e.g., 15 U.S.C. § 1126(h) (“[T]he remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.”).²⁰

²⁰ Cubatabaco’s argument that it should be excused from the ownership requirement because such a requirement would create an embargo exception to the Paris Convention is nonsense. See Pet. at 27. Having failed to register in a timely fashion, Cubatabaco can hardly now argue for an exception to the Lanham Act permitting only embargoed entities to pursue infringement remedies without proving any indicia of ownership. Such a result would violate Article 4 of TRIPS (the “most favored nation” provision), which requires that “any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other

Certiorari is unwarranted because the courts of appeals agree that no independent rights beyond those in the Lanham Act are conferred by the Paris Convention, and the Second Circuit's Lanham Act holding is merely an application of settled law to the facts of this case, *see supra* Point I.

c. Finally, to the extent that the Paris Convention might supply a basis for cancellation and an injunction against all use even without a showing of ownership, that relief should only be available against a party who registered and used the mark in the U.S. in bad faith. The government has endorsed the Joint Recommendation Concerning the Protection of Well-Known Marks, which recommends that member states interpret the Convention to afford protection of famous marks that have not been used in the territory. Significantly, Article 3(2) of this recommendation, which was adopted in 1999 by the Paris Union and the World Intellectual Property Organization, provides that "bad faith may be considered as one factor among others" when resolving competing claims to priority. And, as noted, the Paris Convention is implemented through the Lanham Act, which also contains provisions suggesting that any such relief could only be granted to a foreign entity as against one acting in bad faith. Because the district court expressly found that General Cigar adopted, registered and used the COHIBA mark in good faith—a finding Cubatabaco never challenged on appeal—the Paris Convention would afford Cubatabaco no remedy here even if the Convention might otherwise have conferred relief to Cubatabaco if its mark had been famous in the U.S. at the relevant time.

CONCLUSION

For the reasons stated, the Petition should be denied.

Members." And TRIPS expressly authorizes exceptions based on national security, which plainly can include embargoes. *See supra* at 24.

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No. 05-417

FILED

MAY 23 2006

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SUPREME COURT U.S.

IN THE

Supreme Court of the United States

EMPRESA CUBANA DEL TABACO, d/b/a CUBATABACO,

Petitioner,

—v.—

GENERAL CIGAR CO., INC., and GENERAL CIGAR HOLDINGS, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

SUPPLEMENTAL BRIEF FOR PETITIONER

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Petitioner Empresa Cubana del Tabaco, d.b.a. Cubatabaco, respectfully submits this supplemental brief in response to the brief for the United States as *amicus curiae*, submitted at the Court's invitation.

I. The Issues Concerning the Protection of "Well-Known Marks" Are Worthy of Review

1. The United States agrees with petitioner that the court of appeals' decision is in error, both in its construction of section 43(a) of the Lanham Act and of the CACR. U.S. Brief, 6-7, 10, 11, 16. The United States has acknowledged that treaty obligations support petitioner's "well-known marks" claim, and that the Lanham Act can and should be construed consistent with those treaty obligations. Pet. 71a. Nowhere does the United States backtrack from its position in the court of appeals (Pet. 72a-73a) that Cubatabaco was entitled to the injunction and cancellation order granted by the district court. Nor does the United States express any disagreement with Cubatabaco that the court of appeals has placed the United States in violation of treaty obligations that remain in force with respect to Cuba. Pet. 71a.

Nonetheless, instead of joining petitioner in requesting that the Court review whether the court of appeals erred in failing to adjudicate this dispute in accordance with those treaty obligations, the United States asks the Court to deny certiorari. Critical to the Executive's position is its assertion that it has discretion under the CACR to grant a specific license to petitioner that would retroactively authorize petitioner's acquisition of the COHIBA trademark through operation of the well-known marks doctrine. U.S. Brief, 16 & n.4.¹ The United States does not advise that it *will* grant such a license, only that it could if it so chooses, and suggests that suffices to end any

¹ Such a license would remove any obstacle to the grant of relief to petitioner even under the Second Circuit's decision, and petitioner could move in the lower courts for relief on the basis of the OFAC license

concern with the Second Circuit's decision, or its international implications.

The United States' suggestion is at odds with the judiciary's independent responsibility to adjudicate disputes in accordance with treaty obligations. It is also at odds with the basic constitutional principle that treaties, once ratified by the Executive and the Senate, are the supreme law of the land, and not merely a policy choice changeable at the discretion of the Executive.

The court of appeals fundamentally erred in failing to decide petitioner's claims in accordance with Article 6bis of the Paris Convention and the *Charming Betsy* doctrine, and in failing to defer to the Executive's construction of the CACR. As the Executive itself has explained, the Lanham Act and Article 6bis are readily reconcilable, even in the absence of domestic trademark rights, and the CACR presents no impediment to the relief sought by Cubatabaco. The Court should grant review to affirm the judiciary's institutional responsibility to adjudicate disputes in accordance with treaty obligations, and to correct what both the United States and petitioner contend were the court of appeals' errors.

2. At the heart of this case is the treaty obligation created by the United States' ratification of Article 6bis of the Paris Convention, which, as the United States has recognized, requires the grant of relief to petitioner on the facts found by the district court. Article 6bis provides that the treaty countries undertake:

to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

Also at issue is Congress' adoption of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) in 1994. TRIPs incorporates Article 6*bis* and makes it a WTO obligation. TRIPs also mandates most favored nation treatment, requiring that petitioner be afforded the same relief that would be afforded to the nationals of other countries on the same facts – that is, cancellation of General Cigar's registration, and an injunction against its use, of the COHIBA mark.

The Senate ratified the Paris Convention, and Congress adopted TRIPs, in order to secure reciprocal protection abroad for the intellectual property, including trademarks, of United States corporations. Tellingly, the United States nowhere denies that "the Second Circuit's decision adversely implicates the reciprocal protection of U.S.-owned trademarks in Cuba." Pet. 3. Cuba has permitted U.S. companies to register their marks, and hundreds of U.S. companies have registered over 5,000 trademarks there. See Pet. 6. In response to the Second Circuit's decision, Cuba has raised the issues of reciprocity and international obligations at the United Nations in strong terms. See Pet. Reply 2 & n.1. Nor, more generally, does the United States question that the Second Circuit's decision threatens the congressionally-mandated goal of strengthening the ability of U.S. corporations to insist upon treaty adherence abroad by citing United States adherence to its intellectual property treaty obligations.

Instead, the United States advises that the Executive, rather than this Court, should be concerned with the Second Circuit's placing the U.S. in violation of its treaty obligations. However, the Senate, in ratifying the Paris Convention, and Congress, in adopting TRIPs, did not entrust the goal of securing the reciprocal protection of U.S. trademarks abroad to the Executive's discretion, but committed the United States *by treaty* to protect foreign marks here in order to encourage the protection of U.S. marks abroad. Through the treaty and WTO agreement, U.S. obligations to foreign owners of intellectual property are determined by *law*, subject to judicial resolution and control, in accord with the constitutional scheme and doctrines such as the *Charming Betsy* doctrine.

Unlike many other foreign policy considerations, treaty adherence in the context of concrete disputes presented for judicial resolution is not left to Executive discretion based on the Executive's sense of the importance of protecting U.S. marks in certain countries; the Executive's endlessly shifting calculation of foreign relations priorities; the cross-currents of competing foreign policy goals; or the possible impact of domestic political considerations on particular Executive decisions. This case, which concerns Cuba, is particularly fraught with the possibility that the Executive will arrive at a discretionary decision that does not faithfully implement the legislative treaty commitment.²

It is of no moment whether or not Congress authorized the Executive to trump Article 6*bis*, or TRIPs, through the promulgation of embargo regulations pursuant to its TWEA authority. Here, the United States has advised that it did not do so, and has construed the CACR not to bar cancellation of respondents' registration, or an injunction against its use, of the COHIBA mark. This being so, the court of appeals' failure to enforce United States treaty obligations here was not only error, as the United States recognizes, but merits review by the Court.

3. The Second Circuit's decision is worthy of this Court's review because of its departure from fundamental principles of treaty adherence and deference, and because of its international implications, both for U.S.-Cuba trademark relations and for the protection of U.S. trademarks abroad generally. The United States does not deny that the decision below threatens to disrupt international trademark relations in important respects, or that such a threat would normally be worthy of this Court's attention. It only asserts that certiorari should not be granted

² This is not to say that the Executive's determination that a treaty is in effect, or its interpretation of a treaty's terms, or its view that Executive regulations do not interfere with treaty obligations are not entitled to judicial deference. As the Petition makes clear, all of these factors powerfully support the grant of certiorari here, and the United States makes no argument to the contrary.

because the Executive can choose, if it wishes, to defuse the Second Circuit decision. But this, for the reasons noted, is not grounds to deny review.

The United States spends a great deal of time arguing that the Second Circuit decision is not likely to affect many other foreign litigants in U.S. courts, given the unusual circumstances of this case. But this contention misses the point of why the decision is important, and does nothing to put into doubt the substantial international repercussions of the Second Circuit's decision. Cuba's most renowned product is cigars, and COHIBA is Cuba's most famous and prestigious cigar brand. Pet. 3. The Second Circuit has denied the Cuban COHIBA the protection required by the U.S.'s international obligations to Cuba. The court of appeals' decision opens the Pandora's box of national security and foreign policy exceptions to the international protection of intellectual property. Because the Second Circuit's decision is fraught with serious international implications, as well as doctrinal error, the Court should grant review.

4. Under the tripartite constitutional structure, when the Executive and Senate have adopted and ratified a treaty, the judiciary has an obligation, independent of the Executive's momentary views, to safeguard a party's rights as dictated by that treaty's terms. For instance, in *Zschernig v. Miller*, 389 U.S. 429 (1968), the Court looked past the United States' advice that an Oregon probate statute did *not* "unduly interfere[]" with the United States' conduct of foreign relations," *id.* at 434, and struck down the state statute as inconsistent with a treaty providing reciprocal rights of inheritance.

The Court recognized that more than the Executive's transient position about the immediate importance of a particular foreign policy issue was at stake. Instead, the dispute implicated the fundamental, structural question of how courts must approach questions touching upon foreign affairs and treaty relations. As Justice Stewart pointed out in his concurrence, the position of the United States on whether the issue is important (in contrast to its position on the construction of a treaty's text) "is not the point. We deal here with the basic

allocation of power.... Resolution of so fundamental a constitutional issue cannot vary from day to day with the shifting winds at the State Department." *Id.* at 443 (Stewart, J., concurring, with Brennan, J.). In *First National City Bank v. Banco Nacional de Cuba*, 406 U.S. 759 (1972), Justice Brennan, in dissent, explicitly applied this principle to "the basic division of functions between the Executive and the Judicial Branches." *Id.* at 792-93 (Brennan, J., dissenting, with Stewart, Marshall and Blackmun). (Justice Douglas, *id.* at 772, took a similar position in his opinion concurring in the result.)

The United States does not dispute that the Second Circuit's ruling was in error, or that it creates problems of reciprocity and treaty compliance. Rather, the Executive asserts only that these problems are manageable and within its discretion, and, therefore, unworthy of the Court's attention. The momentary importance of the issue to any particular administration, however, is not "the point." *Zschoernig*, 389 U.S. at 443 (Stewart, J., concurring).

II. The Issues Under the Well-Known Marks Doctrine are Squarely Presented

To bolster its position that – despite the court of appeals' erroneous construction of the CACR and section 43(a) – this case is not worthy of review, the United States repeatedly suggests that petitioner's section 43(a) claim (that is, its claim based on confusion as to source, as distinct from an infringement claim based on trademark ownership) is not squarely presented, and even that this is Cubatabaco's fault. Both suggestions are wrong and should not distract the Court.

First, putting aside the section 43(a) question, the court of appeals also rejected Cubatabaco's independent section 44/Article 6*bis* claim for protection of its well-known foreign mark. As the United States recognizes, Article 6*bis* does not require ownership of a United States trademark, only a famous foreign mark. Pet. 71a-72a. The United States nowhere disputes that the court below, in its section 44/Article 6*bis* holding, explicitly rejected the Executive's construction of the

CACR, and denied Cubatabaco Article 6*bis* protection solely on the ground that petitioner is a Cuban national, while explicitly holding out the possibility of Article 6*bis* relief for non-embargoed nationals under section 44. Pet. 37a-38a. Nor does the United States argue that petitioner is wrong that this holding places the U.S. in violation of its treaty obligations; violates TRIPs' most favored nation and national treatment obligations, see TRIPs, Art. 2, 4; see also Paris Convention, Art. 2, and effectively destroys the reciprocity essential to U.S.-Cuban intellectual property relations. Thus, the petition squarely presents important issues independent of Cubatabaco's section 43(a) claim.

With respect to Cubatabaco's section 43(a) claim, the United States does not deny that the court below expressly considered that claim, and rejected it based on its holding that the Executive's construction of the CACR was wrong. Pet. 30a-32a. The court of appeals properly acknowledged that if it was going to address General Cigar's CACR argument, raised for the first time on appeal after seven years of litigation, then, as a matter of fundamental fairness, it must also address Cubatabaco's response. Pet. 31a. As the court of appeals recognized, had General Cigar timely raised the issue in the district court, Cubatabaco could have readily addressed any asserted deficiencies in its pleadings. *Id.*; see Fed. R. Civ. P. 15(b). Because the argument was properly entertained and decided on the merits by the court of appeals, it is properly presented here. *Owasso Ind. School Dist. v. Falvo*, 534 U.S. 426, 431 (2002); *Bragdon v. Abbott*, 524 U.S. 624, 638 (1998).

Further, Cubatabaco pled, consistent with notice pleading, that it was entitled to relief because its mark was well known and famous prior to General Cigar's adoption of the mark in late 1992. On summary judgment, the district court made clear that the issues to be tried were likelihood of confusion and "whether the Cuban COHIBA was so famous that its reputation [was] known in the United States." Pet. 251a (internal quotations omitted). No fact or legal question would have been different at trial under a section 43(a)(1)(A) claim for "trademark

infringement” or a section 43(a)(1)(A) confusion as to source claim.

The United States suggests that Cubatabaco should have anticipated, in the district court, General Cigar’s CACR argument that was never raised until appeal. In this view, Cubatabaco had an obligation to plead that if the CACR prevented acquisition of U.S. trademark rights, by operation of law through the well-known marks doctrine, it could still prevail under section 43(a) without a trademark. This unprecedented position, however, would work a radical transformation of the rules of pleading, including defendants’ obligation timely to assert affirmative defenses.

Notably, the United States never made this argument to the court below. Indeed, it urged precisely the opposite: that the court should adopt the United States’ interpretation of section 43(a) and affirm the district court’s grant of cancellation and injunctive relief on that basis. Pet. 71a; *id.* 68a-73a.

The United States also suggests, *erroneously*, that Cubatabaco voluntarily dismissed any confusion-as-to-source section 43(a) claims not based on trademark ownership. U.S. Brief at 4 (erroneously characterizing dismissed section 43(a) claims as “false representation of source of origin and deceptive advertising”); *id.* at 7. In fact, the four dismissed claims were *solely* addressed to General Cigar’s representation that its goods were made from “Cuban seed,” in violation of prohibitions against false or deceptive *geographic* origin, brought under TRIPs, the Paris Convention and for false advertising under section 43(a)(1)(B). None of the dismissed claims were *confusion as to source* section 43(a)(1)(A) claims. In sharp contrast, the treaty and sections 43(a) and 44 well-known marks claims originally pled, and the section 43(a)(1)(A) claim advocated by the United States and Cubatabaco and expressly decided below, are all claims requiring a showing of confusion as to source. Thus, dismissal of the four “Cuban seed” non-confusion *geographic* origin claims cannot obscure the fact that the court below expressly addressed and rejected Cubatabaco’s non-trademark confusion as to source claims.

In sum, the central issues of United States treaty adherence and allocation of Executive, legislative and judicial powers in matters touching upon foreign affairs cannot be avoided by the (incorrect) suggestion that the section 43(a) issue is not directly presented.

III. The IAC Issues Are Worthy of Review

Relying on the Court's denial of certiorari in *Havana Club Holding, S.A., v. Galleon S.A.*, 203 F.3d 116 (2nd Cir.), *cert denied*, 531 U.S. 918 (2000), the United States argues for denial of review of Cubatabaco's General Inter-American Convention claims. Petitioner seeks relief under IAC Articles 7 and 8, which mandate cancellation of a registration and an injunction against use on a showing, made here, that a U.S. party adopted a mark with knowledge of a treaty national's pre-existing, confusingly similar foreign mark. Pet. 9, 98a-99a. In *Bacardi Corp. of America v. Domenech*, 311 U.S. 150 (1940), this Court held that these were self-executing treaty provisions, but the court below held that the Lanham Act, adopted shortly after the *Bacardi* decision, *implicitly* abrogates Articles 7 and 8. In a fundamental deviation from the governing principles, the court of appeals found treaty abrogation not on the basis of the Lanham Act's *text*, but exclusively on the court's reading of the *legislative history*. The Second Circuit's abrogation finding puts it in conflict with the TTAB, the principal forum for the resolution of registration disputes, which enforces Articles 7 and 8. *See British-American Tobacco Co. v. Phillip Morris Inc.*, 55 U.S.P.Q.2d 1585 (T.T.A.B. 2000).

The United States' reliance on *Havana Club* is misplaced. *Havana Club* did not concern Articles 7 and 8 at all, but other IAC provisions, and the TTAB's decision on Articles 7 and 8, *British-American*, was not even brought to the Court's attention. The *Havana Club* petition focused on the effect of the CACR and a recently enacted statute mandating non-recognition of confiscated Cuban trademarks (Section 211 of Pub. L. No. 104-114, 110 Stat. 785 (1998); neither the CACR nor Section 211 is

relevant to Cubatabaco's IAC claims, as all concede. The court of appeals held that Section 211, not the Lanham Act, abrogated the IAC provisions at issue in *Havana Club*. In addressing the Second Circuit's view that the Lanham Act either incorporated or abrogated pre-existing treaty rights, the petitioner in *Havana Club* failed to note the Second Circuit's doctrinal error that treaty abrogation could be found exclusively on the basis of legislative history. In short, the denial of certiorari in *Havana Club*, which has no precedential effect, does not suggest denial of certiorari here.

CONCLUSION

For the reasons stated herein and previously, the petition for a writ of certiorari should be granted.

Dated: May 23, 2006

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* Per rule 29.6, Petitioner makes reference to the corporate disclosure statement contained in its Petition, to which no amendments are necessary.

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I. The Court Should Review the Conflict Between the Court of Appeals and the Executive

The Executive has advised that the cancellation and injunctive relief ordered by the district court is consistent with the Executive's conduct of the embargo, required by treaty obligations to Cuba, and important to preserving the reciprocity essential to trademark relations with Cuba. The court of appeals nonetheless denied relief because Cubatabaco is an embargoed Cuban national, thereby placing the U.S. in violation of its acknowledged treaty obligations and frustrating the Executive's conduct of foreign affairs.

The court's result is based directly and necessarily on its rejection of the Executive's position that the Cuban Assets Control Regulations ("CACR") do not prohibit the ordered relief. Notably, General Cigar makes no argument that if the court and the Executive are in conflict on the CACR's interpretation—which they clearly are—then the court acted properly in refusing to defer, or that this refusal is unworthy of this Court's review. The Court's decisions leave no doubt as to the crucial importance of deference on embargo and foreign affairs matters.

General Cigar's attempt to shift the ground for the court's decision from disagreement with the Executive over the CACR to disagreement with the Executive's interpretation of the Lanham Act is plainly wrong. But even if General Cigar were correct that this case turns on a proper interpretation of the Lanham Act, the bottom line is the same: the court and the Executive wound up in direct conflict over whether U.S. treaty obligations and foreign policy goals vis-à-vis Cuba are to be respected. The Executive showed that the Lanham Act can, and therefore should, be harmonized with the CACR and U.S. treaty obligations to support the granted relief, consistent with this Court's edict that statutes be reconciled with international obligations where possible, including to avoid embarrassing the Executive in its conduct of foreign affairs.

The court of appeals' decision is undeniably fraught with international ramifications and complications for the conduct of U.S. foreign policy; General Cigar does not pretend otherwise.

The Executive recognized the implications of this case when it held "high-level" consultations that included the State Department and the Office of the Trade Representative before submitting its views. Pet. 4. Cuba has raised the issues of reciprocity and international obligations at the United Nations in strong terms.¹ See also *Amicus Curiae* Brief of the National Foreign Trade Council, filed December 2, 2005.

The Court should grant review to consider the Second Circuit's rejection of the Executive's position on the scope and effect of the Cuba embargo.

Petitioner also respectfully suggests that the Court, if in doubt, should request the views of the United States. Such a request would be consistent with the Court's practice at the petition stage in cases presenting foreign policy issues.²

II. The Second Circuit's Refusal to Grant Deference on the Embargo Merits Review

After grand protestations that the Second Circuit agreed fully with the Executive on the CACR, General Cigar expressly concedes, as it must, that the court in fact rejected the Executive's position. See Brief In Opposition ("Opp.") 16 n.10. Whereas the

¹ Report of Cuba on United Nations General Assembly Resolution 59/11, dated 15 August 2005, UNGAOR, 60th Sess., at 16, U.N. Doc. A/60/280; the Second Circuit decision "ignore[s] the international obligations of the United States. . . . Cuba warns the international community" that for the U.S. "to usurp on its territory Cuban trademarks which are widely recognized internationally and protected by international conventions . . . could give rise to a climate of uncertainty and the questioning of these rights, with real consequences" for "companies within the United States."

² Notably, it was at the Court's initiative that the Executive expressed its views at the petition stage in *Banco Nacional de Cuba v. Sabbatino*, 371 U.S. 907 (1962); 376 U.S. 398 (1964), which largely concerned the potential for judicial embarrassment of the Executive's conduct of foreign affairs vis-à-vis Cuba. See, also, e.g., *Ministry of Defense and Support for the Armed Forces of the Islamic Republic of Iran v. Elahi*, 125 S.Ct. 1929 (2005); *El Al Israel Airlines Ltd. v. Tseng*, 522 U.S. 947 (1997); *Citibank, N.A. v. Wells Fargo Asia Ltd.*, 490 U.S. 1018 (1989).

Executive stated that "the Regulations do not prohibit the cancellation of General Cigar's mark and the district court's order enjoining General Cigar from using the COHIBA mark" (74a), the Second Circuit held that "to obtain cancellation of General Cigar's mark and an injunction barring General Cigar from using the mark in the United States . . . would entail a transfer of property rights . . . in violation of the embargo" (19a). The court's rejection of the Executive's position on this point raises fundamental separation of powers and deference concerns.

General Cigar seeks to minimize the significance of the Second Circuit's refusal of deference on the CACR, contending instead that the court's decision rests on its disagreement with the Executive's construction of the Lanham Act. The Second Circuit, however, expressly stated that its contrary view of the CACR is the basis for its decision:

There is no doubt that granting this relief [the injunction against General Cigar's use of COHIBA] would entail a transfer from General Cigar to Cubatabaco of a 'right, remedy, power, privilege or interest with respect to the [the COHIBA mark].' 31 C.F.R. § 515.310. As it is exactly this brand of property right transfer that the embargo prohibits, we cannot sanction a grant of *in rem* remedy to Cubatabaco in the form of the right, privilege, and power to exclude General Cigar from using its duly registered mark (29a-30a).

Neither the Second Circuit nor General Cigar *ever* explained why cancellation, which the Executive says is *licensed*, violates the embargo. Pet. 7-8.

If the court had accepted the Executive's position that cancellation and injunctive relief do not violate the CACR, then the court's dismissal of Cubatabaco's claims would have been unwarranted unless they are *otherwise* defective under the substantive law. But the court of appeals did not identify any such flaw, and so its dismissal of Cubatabaco's claims must rest on the court's contrary construction of the CACR.

The court's treatment of Cubatabaco's two claims for relief, presented in the alternative, further demonstrates as much.

(a) Cubatabaco seeks relief under sections 44(b) and (h) of the Lanham Act, which, Cubatabaco maintains, incorporate Article 6bis of the Paris Convention (35a-37a). On its face, Article 6bis requires only a showing of fame and confusion—both present here—for the holder of a foreign trademark to obtain cancellation and injunctive relief. The Executive agrees that nothing more is required by Article 6bis (71a-72a). The Second Circuit found that Cubatabaco “may be correct” that sections 44(b) and (h) incorporate Article 6bis, and proceeded on that assumption (37a). Thus, the basis for the court’s rejection of this claim was the court’s disagreement with the Executive over the CACR. Indeed, the court expressly stated it was rejecting the claim because the CACR “do not permit Cubatabaco to acquire the power to exclude General Cigar from using the mark . . .” (38a).

(b) Cubatabaco alternatively seeks relief under section 43(a). As the Executive explained, a section 43(a) claim “[m]ost commonly” involves “infringement of rights in a mark acquired by use” (69a), “but the conclusion that Cubatabaco acquired the U.S. rights to the COHIBA trademark . . . is prohibited” by the CACR (68a). The “remaining question” is thus whether the cancellation and injunction orders “are rendered invalid because they are *dependent* upon . . . the acquisition of the [U.S.] COHIBA trademark” (68a) (emphasis supplied). The Executive’s answer was no, based on its analysis of section 43(a) (70a).

If, as General Cigar suggests, the court of appeals had disagreed with the Executive about section 43(a), rather than about the embargo, the court would have held that section 43(a) relief is “dependent” upon acquisition of a U.S. trademark. But the court did *not* so hold, and for good reason: Neither the text nor the case law requires that Cubatabaco own a U.S. trademark in order to obtain relief under section 43(a), as the Executive demonstrated (68a-73a).

Instead, the court fell back on its differences with the Executive over the embargo. Whereas the Executive maintains that “the cancellation of the trademark registrations and the enjoinder

ing of General Cigar from using the mark are not prohibited by the Regulations" (68a), the court held that those orders would "effect" and "entail" a "transfer of property rights"—*i.e.*, a transfer of the "right to exclude"—in "violation of the embargo" (29a). In other words, the court concluded that any injunction against General Cigar's use of COHIBA, even if obtained under the unfair competition theory urged by the Executive and Cubatabaco, would necessarily deprive General Cigar of the "right to exclude," while granting the same right to Cubatabaco. The court deemed that result a "transfer" of "property" for purposes of the embargo (35a); the Executive, looking at the same transaction, deemed it not to be.

General Cigar also half-heartedly attempts to convert this into a simple controversy over the Lanham Act by declaring that the point of dispute—whether or not the cancellation and injunction orders effected a "transfer of property rights" in violation of the embargo—is a Lanham Act question, not a CACR question, on which the court was "free" to disagree with the Executive. Opp. 16 n.10, 24. But what constitutes a "transfer" of "property" in which a Cuban national has an "interest" *for purposes of the embargo* is determined by the CACR and the Executive. Pet. 3-5, 12-14. The Second Circuit's refusal to defer on this pure CACR issue warrants review.

Had the Second Circuit actually held that it could reject the Executive's conclusion here of what constitutes a "transfer" of "property" for CACR purposes on the basis of external sources of law, that decision would be equally radical, and also merit the Court's review. If, for example, the Second Circuit had considered the cancellation and injunction orders equivalent to the award of a trademark from a Lanham Act perspective, this would not foreclose the Executive from distinguishing the cancellation and injunction orders for embargo purposes, as it has done. *See* Pet. 19-21. The ordered relief is what it is, and the Executive has concluded that it does not violate the CACR. To hold that the Executive is bound by Lanham Act concepts in its construction of the CACR would handcuff the President's authority to conduct the embargo and define its terms and would

split with ali precedent, which explicitly confirms that authority. Pet. 12-15 & n.3. Indeed, the reason CACR determinations are committed to the Executive is so that complex and nuanced *policy* considerations can be taken into account, as they were here. Pet. 12, 15, 18-22.

III. Any Failure to Harmonize the Lanham Act with Treaty Obligations, as Urged by the Executive, Would Merit Review

1. General Cigar's effort to recast this case as a purely domestic-law dispute *additionally* fails because the court below was *required* in construing section 43(a) to take into account international obligations and the Executive's foreign policy concerns pursuant to the *Charming Betsy* doctrine. *Murray v. Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804) ("an act of congress ought never to be construed to violate the law of nations if any other possible construction remains"). The Court has regularly invoked the *Charming Betsy* doctrine to avoid construing legislation so as to place the United States in violation of its international obligations. *See, e.g., Sale v. Haitian Ctrs. Council*, 509 U.S. 155, 178 n.35 (1993); *Weinberger v. Rossi*, 456 U.S. 25, 32 (1982); *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 814-15 (1993) (Scalia, J., dissenting).

The Executive identified the U.S.'s international legal obligations to Cuba under Article 6*bis*, and expressly urged a construction of section 43(a) that would bring the U.S. into compliance with those obligations (66a-67a, 71a-72a). As the Executive notes, to comply with Article 6*bis* the United States must "cancel the registration, and [] prohibit the use," of General Cigar's COHIBA mark, even though Cubatabaco does not own a U.S. trademark (66a). This interpretation accords with the treaty's plain text, and, as the Executive's official position, is itself entitled to great weight. *See* Pet. 27.

Thus, the statutory question for the court of appeals was whether it is *possible* to construe section 43(a) consistently with the United States' Article 6*bis* obligation. This *Charming Betsy* mandate is particularly compelling here, where the Executive

presented its view of the U.S. treaty obligation, outlined foreign policy objectives, and gave the court guidance as to how the Act and the treaty could be “harmonize[d]” (71a). Indeed, it is just such “‘highly charged international circumstances’” as here—which combine the Cuba embargo, treaty obligations, and protection of U.S. trademark interests in Cuba—that particularly “call[] for adherence to the [*Charming Betsy*’s] interpretive guide.” *Spector v. Norwegian Cruise Line Ltd.*, 125 S.Ct. 2169, 2185 (2005) (Ginsburg, J., concurring in part and in the judgment) (quoting *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 20 (1963)).

2. The Executive’s construction of section 43(a) “harmonizes the Act with Article 6bis” by recognizing that, like Article 6bis, section 43(a) does not require trademark ownership, and provides relief to owners of well-known foreign marks if they can demonstrate their standing and consumer confusion.

As the Executive demonstrates (68a-71a), section 43(a)’s text is more than broad enough to encompass the Executive’s construction. Section 43(a)(1)(A) provides relief to “any person . . . likely to be damaged” by the use of any “word, term, name, symbol or device” that is “likely to cause confusion.” The Court noted in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003), that this language cannot be limited to trademark infringement (neither the word “trademark” nor the word “infringement” appears in the statutory text), but instead “prohibits actions like trademark infringement that deceive consumers and impair a producer’s goodwill.” *Id.* at 32. Nor does the text of section 43(a) prohibit relief against a party that has itself used or registered a mark.

It would be incongruous in the extreme with *Charming Betsy* to infer a non-textual requirement that would frustrate the United States’ commitment to fulfilling its Article 6bis obligations to Cuba. The Executive specifically warned against doing so (72a), and additionally showed that the decisional law is not at odds with its proffered construction (69a-74a).

3. Underlying the court’s discussion of section 43(a) is its concern that it was being asked to “turn the law of trademark

on its head" and perform "acrobatics" by treating Cubatabaco's unfair competition claim differently from its trademark infringement claim for embargo purposes. Opp. 10 (34a). In the view of some, Article 6bis *does* turn the law of trademark on its head in certain circumstances, but the *Charming Betsy* doctrine sometimes requires acceptance of statutory constructions that would not otherwise be adopted. The United States acceded to Article 6bis and TRIPs based on the determination that it is in the U.S.'s interest to have famous marks protected internationally, even if U.S. parties who *normally* would have unrestricted rights thereby become subject to cancellation and injunction orders. That the Executive believes Article 6bis/43(a) relief to be available under the embargo, even though trademark infringement under section 43(a) is not, simply acknowledges this decision.

IV. Review Is Warranted to Address the Court's Finding of Treaty Abrogation Contrary to the Executive's Position

General Cigar recognizes that the court's interpretation of the embargo places it in direct conflict with the Executive's recognition of Article 6bis treaty obligations. *See* Opp. 22 ("if Article 6bis does require a cancellation and injunction order in this case [the Executive's position, 71a-72a], it is abrogated to that extent by the Embargo [the court's position, 38a]"). Because the treaty prevails over the CACR standing alone, *see* Pet. 23-24, the court of appeals considered whether the LIBERTAD Act abrogated Article 6bis.

The court of appeals found abrogation despite the Executive's advice that Article 6bis remains in effect with respect to Cuba and should be observed. This Court has consistently granted review in those rare cases when the lower courts have found abrogation of a treaty that the Executive contends is in effect. *See* Pet. 22-23. General Cigar fails to cite a single case in which a court found treaty abrogation over the Executive's objection and was upheld.

General Cigar argues that the court's "asserted error" was merely a "misapplication" of law. Opp. 21. But General Cigar's arguments that the LIBERTAD Act "clearly expressed" a congressional purpose to abrogate the treaty, as required by, *inter*

alia, Trans World Airlines, Inc. v. Franklin Mint Corp., 466 U.S. 243, 252 (1984), *see* Pet. 23, in fact demonstrate that the court ignored this key doctrine.

General Cigar argues that "Congress enacted the LIBERTAD Act in 1996 to express its intent to confine Cuban nationals to the CACR's provision for registration of intellectual property." Opp. 21. Congress, of course, did nothing of the sort. The LIBERTAD Act was a generic codification of the existing "economic embargo of Cuba," with no explanation of what the "embargo" did or did not permit. Codification of the "embargo" was thus far from the "clearly expressed" congressional purpose required to abrogate a treaty. Pet. 23.

General Cigar also claims a "clearly expressed" purpose to abrogate based on supposed "national security" concerns. Opp. 23-24; *see* Pet. 8-9. The Executive, however, has found no "national security" threat in recognizing that Cubatabaco's Article 6bis rights are consistent with the embargo's purposes and U.S. foreign policy (60a), and the Executive's determination is binding on the courts. *See, e.g., Regan v. Wald*, 468 U.S. 222 (1984); *Zemel v. Rusk*, 381 U.S. 1 (1965).

The Executive's finding of *no* incompatibility between the treaty right and the purposes of the embargo distinguishes this case from *Havana Club Holding v. Galleon, S.A.*, 203 F.3d 116 (2d. Cir. 2000), upon which General Cigar so heavily and mistakenly relies. Opp. 21. There, the Second Circuit and the Executive *agreed* that the claimed right to assign a mark was incompatible with the embargo's core purpose of preventing Cuba from obtaining hard currency, and that the CACR therefore prevailed over the claimed treaty right. 203 F.3d at 123-25; *see* Pet. 15-16, 25; *Clark v. Allen*, 331 U.S. 503, 510 (1947).

V. The Court Should Determine Whether the IAC's Bar Against the Knowing Adoption of Another's Trademark Is Enforceable

1. Whether the United States complies with its obligations under the Inter-American Convention's Articles 7 and 8 is a question that merits the Court's attention, now that the Second Circuit has disagreed with the TTAB and held that those treaty provisions

are unenforceable. The Second Circuit's decision damages the U.S.'s credibility as an advocate of intellectual property treaties, and jeopardizes the continued willingness of the other IAC countries (including Cuba) to protect U.S. companies against the knowing adoption of their trademarks. General Cigar simply ignores these international ramifications.

2. Contrary to General Cigar's suggestion, section 44(d) of the Lanham Act does not discharge the U.S.'s obligations under IAC Articles 7 and 8. That provision simply implements Article 4 of the *Paris Convention* by giving treaty nationals six months of priority based on their home country registrations. IAC Articles 7 and 8 provide something entirely different: equitable protection, not limited to six months, against another's *knowing* adoption of the treaty national's foreign trademark.

3. General Cigar cites no authority to support the Second Circuit's finding treaty abrogation exclusively on (disputed) inferences drawn from the *legislative history*, without any claim that the statute's text supports abrogation. The court of appeals' radical departure from this Court's restraints on finding implicit treaty abrogation merits review.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be granted. Petitioner respectfully suggests that the Court, if in doubt, request the views of the United States.

Dated: December 12, 2005

Respectfully submitted,

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FILED

MAY 19 2006

No. 05-417

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In the Supreme Court of the United States

**EMPRESA CUBANA DEL TABACO, AKA CUBATABACO,
PETITIONER**

v.

GENERAL CIGAR COMPANY, INC., ET AL.

**ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTIONS PRESENTED

1. Whether the court of appeals correctly concluded that petitioner, which could not acquire ownership of a United States trademark by operation of law because of the Cuban Assets Control Regulations, 31 C.F.R. 515.101 *et seq.*, could also not obtain relief based on an unpreserved claim under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a), for consumer confusion arising from respondents' non-infringing use of that trademark.

2. Whether the court of appeals correctly concluded that, if there were a conflict between the Cuban Assets Control Regulations and the United States' treaty obligations under Article 6^{bis} of the Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 (Aug. 12, 1970), the regulations would control.

3. Whether the court of appeals correctly concluded, in accordance with its prior decision in *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 124 (2d Cir.), cert. denied, 531 U.S. 918 (2000), that petitioner may not assert claims under Articles 7 and 8 of the General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2918, 2920, through Section 44(b) and (h) of the Lanham Act, 15 U.S.C. 1126(b) and (h).



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BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

This brief is submitted in response to the Court's order inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be denied.

STATEMENT

Petitioner Cubatabaco, a Cuban enterprise, sued respondents General Cigar Co., Inc. and General Cigar Holdings, Inc.—which are affiliated, foreign-controlled, United States corporations—under a variety of theories challenging respondents' use of the COHIBA trademark in the sale of cigars in the United States. The United States District Court for the Southern District of New York, in a series of rulings, granted Cubatabaco relief under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a), on its claim of trademark infringement, but rejected Cubatabaco's other claims. See Pet. App. 76a-82a. The court of appeals reversed the

district court's grant of relief under Section 43(a) of the Lanham Act and affirmed the district court's denial of other relief. *Id.* at 1a-48a. The court of appeals based its decision primarily on its determination that the United States' Cuban Assets Control Regulations (CACRs), 31 C.F.R. 515.101 *et seq.*, prevent Cubatabaco from acquiring ownership of the COHIBA trademark in the United States.

A. The Cuban Assets Control Regulations

The United States has issued and periodically revised the CACRs to implement its Cuban trade embargo. The Department of the Treasury initially promulgated the CACRs in 1963 pursuant to Section 5(b) of the Trading with the Enemy Act of 1917, as amended, 12 U.S.C. 95a. See *Regan v. Wald*, 468 U.S. 222, 225 (1984). In 1996, Congress ratified the CACRs as part of a broader enactment addressing Cuban issues. See Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996, Pub. L. No. 104-114, Tit. I, § 102, 110 Stat. 794 (codified at 22 U.S.C. 6032(h)). The CACRs are intended to "prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or otherwise transferring rights subject to United States jurisdiction." *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 124 (2d Cir.), cert. denied, 531 U.S. 918 (2000). The Secretary of the Treasury has delegated authority for administering the CACRs to the Office of Foreign Assets Control (OFAC). See 31 C.F.R. 515.802.

The CACRs broadly prohibit transactions involving property in which Cuba or a Cuban national has an interest, including "[a]ll dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States." 31 C.F.R. 515.201(b)(1). The regulations define the term "transfer"

very broadly, 31 C.F.R. 515.310, and they define the term "property" to include trademarks, 31 C.F.R. 515.311(a).

The CACRs identify two broad categories of exceptions to the prohibitions: (1) general licenses, contained within the CACRs themselves; and (2) specific licenses, which OFAC grants in response to specific requests. See 31 C.F.R. 515.317, 515.318. The general licenses include provisions that govern "[c]ertain transactions with respect to United States intellectual property" and provide, among other things, that:

Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.

31 C.F.R. 515.527(a)(1). In addition, Cubatabaco had obtained a specific license allowing it to pursue judicial remedies related to the COHIBA trademark. See Pet. App. 28a.

B. The Proceedings In This Case

1. Cubatabaco exports Cuban tobacco products, including premium cigars sold under the COHIBA trademark. In 1969, Cubatabaco filed an application to register the COHIBA mark in Cuba, and, in the 1970s, Cubatabaco registered the COHIBA mark in Cuba and other countries. Cubatabaco began exporting COHIBA cigars to countries other than the United States in 1982. Cubatabaco apparently considered registering its COHIBA trademark in the United States in 1983, but decided not to do so upon learning that respondents had already registered the COHIBA trademark in the United States. Cubatabaco, however, did register a different trademark —BEHIQUE—in the United States in 1985. Cubatabaco employed the same trade dress for the BEHIQUE mark that it used for the COHIBA mark elsewhere. Cubatabaco did not take any steps against

respondents' use of the COHIBA mark at that time. Pet. App. 7a.

Respondents became aware of the Cuban COHIBA trademark in the late 1970s. They obtained the United States registration of that mark in 1981, based on a first use in 1978, and sold cigars bearing the COHIBA mark until 1987. Pet. App. 7a. In 1992, after several magazines published articles containing favorable comments about Cuban COHIBA cigars, respondents resumed use of the COHIBA mark on a new premium cigar, and they filed a new application to register the COHIBA mark in the United States. The United States Patent and Trademark Office (USPTO) granted the unopposed application in 1995. *Id.* at 8a. Two years later Cubatabaco commenced proceedings before the USPTO and its Trademark Trial and Appeal Board (TTAB) to cancel respondents' registration. *Id.* at 9a. Cubatabaco then filed this suit against respondents, seeking injunctive relief and monetary damages under the Lanham Act, various treaties respecting trademarks, and New York law. *Id.* at 9a-10a.

2. The district court addressed Cubatabaco's claims through a series of orders before and after a bench trial. Before trial, Cubatabaco stipulated to the dismissal of its claims under Section 43(a) of the Lanham Act for false representation of source of origin and deceptive advertising. Pet. App. 10a & n.1. Also before trial, the district court dismissed Cubatabaco's claims under Articles 7 and 8 of the General Inter-American Convention for Trade Mark and Commercial Protection (Inter-American Convention), Feb. 20, 1929, 46 Stat. 2918, 2920. The court ruled, in accordance with the Second Circuit's decision in *Havana Club Holding, supra*, that Cubatabaco's claims under the Inter-American Convention are not related to the repression of unfair competition and, therefore, cannot be asserted under Section 44(b) and (h) of the Lanham Act. Pet. App. 11a-12a, 238a-245a.

After the bench trial, the district court held that Cubatabaco had a protectable mark and that respondents' use of that mark

was likely to cause consumer confusion as to the origin or sponsorship of its cigars. See Pet. App. 180a-217a. The district court applied the "common-law 'well-known' or 'famous marks' doctrine," which was "first recognized" in Article 6^{bis} of the Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 (Aug. 12, 1970). Pet. App. 181a; see *id.* at 12a-13a.

The district court concluded that, by the time respondents resumed use of the COHIBA mark in November 1992, the Cuban COHIBA mark had obtained a secondary meaning in the United States market. Pet. App. 199a-200a. Therefore, by operation of the famous marks doctrine, "Cubatabaco had a legally protectable right to the mark at that time." *Id.* at 200a. The court also concluded that "there is a likelihood of confusion between the Cuban COHIBA and [respondents'] COHIBA." *Ibid.* The district court accordingly concluded that Cubatabaco was entitled to relief under Section 43(a) of the Lanham Act, ordered the cancellation of respondents' COHIBA registration, and enjoined respondents from further use of the mark. *Id.* at 76a-82a, 223a-224a.

3. On appeal, respondents argued for the first time that the CACRs prevented Cubatabaco from acquiring United States trademark rights through the famous marks doctrine. Pet. App. 16a. The court of appeals invited the United States, which had not previously participated in the case, to file a brief as *amicus curiae* addressing whether the CACRs barred Cubatabaco's acquisition of the COHIBA mark in the United States through the famous marks doctrine. *Id.* at 17a. The United States filed a letter brief as *amicus curiae* in response to that inquiry. See *id.* at 51a-75a (letter brief).

The United States explained in its letter brief that Cubatabaco's acquisition of ownership rights in the COHIBA mark in this country through the famous marks doctrine would be a transfer of United States property to a Cuban entity by

operation of law and that the CACRs would prohibit such a transfer. Pet. App. 61a-68a. Consequently, Cubatabaco did not acquire the ownership rights in the COHIBA mark in the United States and could not bring an infringement action. *Ibid.* The United States also suggested, however, that the CACRs would not prohibit a court from granting most of the relief that the district court had provided (including the cancellation of respondents' COHIBA registration and the injunction barring respondents from using the COHIBA mark) under another legal theory, such as a claim based on consumer confusion over origin of the goods, that did not rely on respondents' infringement of a United States trademark. *Id.* at 58a, 68a-74a.

The court of appeals affirmed in part, reversed in part, and remanded the case for entry of a judgment rejecting all of Cubatabaco's claims. Pet. App. 5a-6a, 48a. The court of appeals determined that it should address the impact of the CACRs, even though respondents had failed to raise that issue before the district court, because it implicates an issue of significant public concern respecting the Nation's policy toward Cuba. *Id.* at 18a. The court concluded, without addressing the validity *vel non* of the famous marks doctrine, that the CACRs prevent a Cuban entity from acquiring United States trademark rights through such a doctrine. *Id.* at 18a-19a. The court agreed with the United States that the CACRs generally prohibit the unlicensed transfer of United States trademarks to Cuban entities, *id.* at 21a-22a, 24a-26a, that the prohibition extends to transfers by operation of law, such as through the famous marks doctrine, *id.* at 25a-26a, and that Cubatabaco could point to no general or specific license authorizing Cubatabaco to acquire the United States rights to the COHIBA trademark through the famous marks doctrine, *id.* at 27a-28a.

The court of appeals further concluded, however, contrary to the United States' suggestion, that Cubatabaco could not obtain relief based on a claim of consumer confusion over the origin of

the goods, apart from trademark infringement, under Section 43(a) of the Lanham Act. Pet. App. 30a-35a. The court first observed that Cubatabaco had not made such a claim in the district court. It noted that Cubatabaco had initially asserted several Section 43(a) claims that did not depend on trademark infringement (such as false advertising), but Cubatabaco later stipulated to dismissal of those claims with prejudice. *Id.* at 31a. The court then concluded that, even if Cubatabaco had made a Section 43(a) claim based squarely on consumer confusion as to origin, without claiming ownership rights in the United States trademark, the claim should be rejected:

Cubatabaco cannot obtain relief on a theory that [respondents'] use of the mark causes confusion, because, pursuant to our holding today, [respondents'] legal right to the COHIBA mark has been established as against Cubatabaco. [Respondent] has a right to use the mark in the United States because it owns the mark in the United States.

Id. at 34a. The court explained that, because the CACRs prevented Cubatabaco from acquiring the United States ownership rights in the COHIBA mark, Cubatabaco should not be able to achieve what would be, as a practical matter, the "same transfer" through the "more circuitous" route of a Section 43(a) claim that does not require ownership of the United States mark, but only consumer confusion about the origin of the goods. *Id.* at 35a. See *id.* at 19a ("to grant this relief would entail a transfer of property rights in the COHIBA mark to Cubatabaco in violation of the embargo").

The court of appeals also rejected Cubatabaco's contention that it was entitled to relief under Article 6^{ter} of the Paris Convention, as implemented through Section 44(b) and (h) of the Lanham Act. Pet. App. 35a-39a. Because the CACRs prevent Cubatabaco from acquiring the United States COHIBA mark through the famous marks doctrine or excluding respondents

from using the mark in the United States, the court did not interpret Article 6^{bis} and Section 44(b) and (h) to require cancellation of respondents' mark or an injunction against its use in those circumstances. *Id.* at 38a. The court further observed that, to the extent that there might be an "irreconcilable conflict" between the CACRs and the Paris Convention, the CACRs should control because Congress "reaffirmed and codified" those regulations in 1996—after the United States approved the 1967 Stockholm revisions of the Paris Convention—through the LIBERTAD Act. Pet. App. 38a-39a. Finally, the court of appeals rejected Cubatabaco's claims under Articles 7 and 8 of the Inter-American Convention, reiterating its previous holding in *Havana Club Holding, supra*, that such claims cannot be asserted through Section 44(b) and (h) of the Lanham Act. Pet. App. 39a-43a.

DISCUSSION

The court of appeals correctly concluded that the Cuban Assets Control Regulations (CACRs) prevented Cubatabaco from acquiring, through the famous marks doctrine, the ownership of the COHIBA trademark in the United States. Cubatabaco does not seek this Court's review of the court of appeals' decision on that central issue in the case, which in any event does not conflict with any decision of this Court or another court of appeals. Cubatabaco instead asks this Court to review other issues that are either novel, case-specific, or both. Those issues do not warrant this Court's review.

A. The Court Of Appeals Correctly Concluded That The Cuban Assets Control Regulations Prevented Cubatabaco From Acquiring Ownership Of The COHIBA Trademark In The United States

The court of appeals reviewed a district court decision holding that Cubatabaco had a legal right, under the rarely-invoked famous marks doctrine, to obtain cancellation and an

injunction against the use of the COHIBA trademark in the United States, notwithstanding respondents' registration of that mark. The court of appeals did not resolve, however, whether the famous marks doctrine would otherwise apply in this case, because it appropriately addressed the dispositive question of whether the CACRs would allow Cubatabaco's acquisition of the United States trademark by that doctrine. The court of appeals agreed with the United States' views, set out in its letter brief as *amicus curiae*, on that question. The court correctly concluded that Cubatabaco does not own the United States rights to COHIBA because the CACRs prohibit transfers of trademarks by operation of law. See Pet. App. 24a-28a. The court recognized that the CACRs generally bar such transfers of property, *id.* at 24a-26a, and that Cubatabaco did not have a general or specific license allowing the acquisition, *id.* at 27a-28a. Cubatabaco does not challenge that principal holding of the court of appeals, which in any event presents a question of first impression and necessarily does not conflict with any decision of this Court or any other court of appeals. See Pet. i.

B. The Other Issues That The Court Of Appeals Discussed Do Not Present Any Question Warranting This Court's Review

Cubatabaco seeks this Court's review concerning Cubatabaco's right to other relief, based on theories not dependent upon ownership of a United States trademark, under Section 43(a) of the Lanham Act, Article 6^{bis} of the Paris Convention, and Articles 7 and 8 of the Inter-American Convention. See Pet. i. Cubatabaco argues that its asserted right to relief under those alternative theories raises important issues of deference to the Executive (Pet. 12-22), treaty abrogation (Pet. 22-26, 28-29), and trademark protection (Pet. 26-28). Cubatabaco's arguments, which take issue with the court of appeals' discussion of unusual factbound matters ancillary to the court of appeals' central

holding in the case, do not give rise to any question that warrants this Court's review.

1. Cubatabaco first seeks resolution of a matter that it did not initially raise in the court of appeals, but the United States, as *amicus curiae*, noted in its letter brief. See Pet. App. 30a. The United States observed that, while the CACRs prohibit Cubatabaco from obtaining the United States rights to the COHIBA trademark, the CACRs do not necessarily preclude a court from awarding certain other relief under Section 43(a) of the Lanham Act, because "it does not appear that the acquisition of a U.S. trademark by Cubatabaco is a necessary predicate for [those] remedies." *Id.* at 68a. The United States explained that, while Section 43(a) is usually invoked by the holder of a United States trademark, there may be a "limited category of section 43(a) actions in which the plaintiff need not prove that it holds the valid United States trademark in order to obtain the remedies of cancellation of the defendant's registration and injunction against the defendant's use of the mark." *Id.* at 70a. The court of appeals rejected that possibility in this case, concluding that it would effectively result in the "same transfer" of property rights that the CACRs forbid. *Id.* at 35a. The court of appeals' rejection of that theory, while in error, does not present a matter warranting this Court's review.

a. The United States' letter brief, which precipitated the court of appeals' discussion, addressed only the abstract question of whether the CACRs would bar all Section 43(a) relief and not the separate question of whether Cubatabaco had properly preserved a possible Section 43(a) claim not based on ownership of the United States trademark. The court of appeals expressly recognized, however, that "Cubatabaco did not litigate this Section 43(a) claim in the District Court." Pet. App. 31a. The court explained that it nevertheless would address the possibility of such a claim because, if respondents had not been tardy in raising their CACR-based objections, "Cubatabaco might have

litigated in the District Court a claim of the type imagined by the United States." *Ibid.* The court of appeals' discussion of a possible claim that Cubatabaco did not assert in the district court, the district court neither reached nor resolved, and the court of appeals reached only because it addressed another unpreserved issue that is not included in the petition, does not arise in a concrete context that would be appropriate for review by this Court. See *id.* at 30a-35a.

b. Moreover, the court of appeals' discussion of the hypothetical Section 43(a) claim was closely bound up with the highly unusual factual scenario before it and the application of the CACRs. The court of appeals rejected the United States' suggestion that a Section 43(a) claim based on consumer confusion over origin, but not based on ownership of the United States mark, might lie in the circumstances of this case. The court relied, however, on its antecedent holding, which Cubatabaco does not challenge, that the CACRs barred Cubatabaco from obtaining ownership of the United States trademark under the famous marks doctrine and that respondents therefore had a priority over Cubatabaco with respect to that mark by virtue of their otherwise valid registration of the mark in the United States. See Pet. App. 33a-35a. The court's decision accordingly is limited to the situation in which a foreign trademark owner: (i) owns a foreign mark that might meet the demanding requirements of the famous marks doctrine; (ii) has elected not to register that well known foreign mark in the United States despite the obvious advantages of doing so; and (iii) is subject to a federal law that bars the acquisition of the United States mark by operation of the famous marks doctrine. Although the United States views the court of appeals' decision as in error, it knows of no other judicial or administrative action presenting those highly unusual circumstances, nor does it expect that such cases might arise in the future.

i. The famous marks doctrine provides protection for well known foreign trademarks that, despite not being used or registered in the United States, have obtained at least secondary meaning in this country. See *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1098 (9th Cir. 2004) (holding that *more* than secondary meaning is necessary).¹ The owner of a well known foreign trademark typically does not have occasion to invoke that doctrine to obtain protection in the United States because the owner of that mark has a strong commercial incentive to take direct advantage of the vibrant United States market by registering, promoting, and using its mark in this country, and the mark will typically have acquired secondary meaning through those means. Not surprisingly, few courts have had occasion to discuss the doctrine, and the contours of the doctrine are correspondingly unclear. See generally 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:4 (4th ed. 2006). Indeed only one court of appeals decision, *Grupo Gigante*, *supra*, has even decided whether this protection to well known marks is embodied in federal law, and the court of appeals in this case expressly declined to decide that question. Pet. App. 19a (“We do not reach the question of whether to recognize the famous marks doctrine.”). The doctrine has heretofore had quite limited application and no reported federal decision (other than the now-vacated district court decision below) holds that the doctrine’s requirements have been met.²

¹ A well known mark may also be entitled to other protections, apart from the famous marks doctrine as discussed in the text, that are not at issue here. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985; *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

² In *Grupo Gigante*, for example, the court of appeals remanded for further findings to determine whether the plaintiff’s mark met the doctrine’s requirements. See 391 F.3d at 1098. See also *De Beers LV Trade-mark Ltd. v. DeBeers Diamond Syndicate*, No. 04 Civ. 4099, 2005 WL 1164073, at *9 (S.D.N.Y. May 18, 2005) (giving party alleging a famous mark the opportunity to prove the requisite level of fame). A larger number of

ii. An owner of a well known foreign trademark that registers or uses its mark in the United States obtains very substantial protection under United States law because the Lanham Act provides owners with an established and effective means of protecting rights obtained through registration or use. Although Cubatabaco has long faced the CACRs' restrictions on use of the mark on products sold in the United States, the CACRs do allow Cuban entities to register trademarks, a course that Cubatabaco considered but did not pursue to protect its COHIBA trademark. See Pet. App. 7a; see also 15 U.S.C. 1126(e) (2000 & Supp. II 2002) (allowing United States registration based on foreign registration); 31 C.F.R. 515.527 (general license allowing Cuban entities to register trademarks). If Cubatabaco had followed the familiar registration regime that other owners typically follow, it would have had no need to turn to an unpreserved Section 43(a) claim. See Br. in Opp. 3-5; see also 15 U.S.C. 1115(a) (registration establishes a presumption of "ownership" and the "exclusive right to use the mark"); see generally *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985).

iii. Likewise, the court of appeals' decision does not implicate the right of owners not subject to the CACRs or some other extraordinary federal bar. Even the hypothetical foreign

cases hold simply that the mark in question was not sufficiently famous for the doctrine to apply. See, e.g., *Buti v. Perosa, S.R.L.*, 139 F.3d 98, 104 n.2 (2d Cir.), cert. denied, 525 U.S. 826 (1998); *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1570 (Fed. Cir. 1990); *ITC Ltd. v. Punchgini, Inc.*, 373 F. Supp. 2d 275, 291 (S.D.N.Y. 2005). The government is aware of only two decisions of any kind over the past fifty years (apart from the district court decision below) finding that the doctrine's requirements were satisfied. One is a decision of a state court involving the famous Paris restaurant "MAXIM'S." See *Vandable v. Montmartre, Inc.*, 193 N.Y.S.2d 332 (1959). The other is a decision of the Trademark Trial and Appeals Board involving the famous English tennis tournament "WIMBLEDON." See *All England Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069 (TTAB 1983).

trademark owner that has registered and uses its famous mark abroad, but has not registered or used it in the United States, would have no need to resort to a non-infringement-based Section 43(a) remedy for consumer confusion unless the owner also faces an extraordinary federal bar on the expected operation of the famous marks doctrine. The court of appeals did not hold that, in the absence of such a bar, it would limit the Section 43(a) remedies of the owner or otherwise fail to give the foreign owner priority in this country. Its ruling on non-infringement-based Section 43(a) remedies was premised on, and designed to protect, the limits imposed by the CACRs. The federal bar at issue here, arising from the CACRs, pertains exclusively to property in which Cuba or a Cuban national has an interest, and it is therefore quite limited. Few similar laws exist, and other comprehensive sanctions regimes contain different language regarding trademarks that may not bar the operation of the famous marks doctrine. See, e.g., 31 C.F.R. 538.514(a)(2) (Sudanese Sanctions Regulations authorizing "[t]he receipt of a patent, trademark, copyright or other form of intellectual property protection"); accord 31 C.F.R. 560.509 (Iranian Transaction Regulations).³

³ State law, such as the law of unfair competition, may also provide relief in certain circumstances if consistent with federal law, including the CACRs. See *Almaccues Exito S.A. v. El Gallo Meat Mkt., Inc.*, 381 F. Supp. 2d 324, 328-329 (S.D.N.Y. 2005) (rejecting famous marks doctrine as a matter of federal law, but noting that plaintiff could maintain state causes of action for trademark dilution infringement and unfair competition); *Maison Prunier v. Prunier's Rest. & Cafe, Inc.*, 288 N.Y.S. 529 (1936) (granting injunction against unfair competition by restaurant using the name of a foreign restaurant chain). In this case, Cubatabaco was unable to obtain relief under New York unfair competition law because the district court found that respondents did not act in bad faith. See Pet. App. 47a. But that will not always be the case, and the domestic user of a famous foreign mark may face a difficult burden in showing that it has not acted in bad faith. See, e.g., *Person's*, 900 F.2d at 1570 (noting that "there is some case law supporting a finding of bad faith where * * * the foreign mark is

In sum, the court of appeals' rejection of the possibility of a Section 43(a) claim for consumer confusion, not based on infringement of the United States mark, in the narrow circumstances of this case is unlikely to be of much practical significance in the commercial world. A foreign owner of a well known trademark will not need to seek relief based on that theory unless the foreign owner has failed to register its mark in the United States and is subject to unusual federal restrictions such as the CACRs.

c. Cubatabaco mistakenly urges that this Court's review is nevertheless warranted because the court failed to defer to the Executive Branch's interpretation of its regulations. See Pet. 2, 9-10, 12-22; see also NFTC Amicus Br. 5-6, 12-13. The court of appeals, however, concurred with the government's principal submission that the CACRs prohibited Cubatabaco from obtaining the United States COHIBA trademark by operation of the famous marks doctrine, Pet. App. 26a, and it accordingly stated that it "need not determine what level of deference is owed to the U.S. Department of Treasury's interpretation of the Embargo Regulations," *ibid.* The court further suggested that, should deference be an issue, it would adhere to its prior decision in *Havana Club Holding* that "the interpretation of a provision of the Embargo Regulations 'given by the agency charged with enforcing the embargo is normally controlling.'" *Ibid.* (quoting *Havana Club Holding*, 203 F.3d at 125). The court of appeals correctly recognized the governing principles. See, e.g., *Auer v. Robbins*, 519 U.S. 452, 461 (1997).

The court of appeals parted with the government only on the question whether Section 43(a) would provide the holder of a famous mark with a remedy for consumer confusion apart from infringement of the United States trademark. The government

famous here") (citing *Vaudable v. Montmartre, Inc.*, *supra*, and *Mother's Rests, Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. 1046 (TTAB 1983)).

maintains that the court of appeals erred in that respect by too quickly dismissing the possibility of such a remedy and too readily equating it with transferring ownership of the mark. Compare Pet. App. 34a-35a, with *id.* at 68a-74a. But that disagreement is limited to a very narrow question of intellectual property law, grounded in the court's interpretation of the Lanham Act in a context that has not previously been litigated, and, as noted, is unlikely to arise with any frequency.¹

2. Cubatabaco urges (Pet. 22-26) this Court to resolve whether, if there is a conflict between the CACRs and the United States' treaty obligations under Article 6^{bis} of the Paris Convention, the regulations or the treaty provisions would control. The court of appeals suggested that, if there were an irreconcilable conflict, the CACRs would prevail. Pet. App. 38a. Cubatabaco argues that the court of appeals has effectively ruled that the CACRs abrogated Article 6^{bis} and that the court's ruling is "such an unusual judicial intrusion into the Executive's foreign affairs powers, and so threatens to embarrass the Executive in its conduct of foreign relations, that it requires review by this Court." Pet. 22. Cubatabaco, however, does not accurately characterize the government's position or the court of appeals' discussion of the issue.

The United States stated in its *amicus curiae* letter brief that the CACRs and Article 6^{bis} of the Paris Convention are compatible and that a Section 43(a) claim for consumer confusion,

¹ If the court of appeals' decision hampers the government's implementation of the CACRs or creates tension with the United States' obligations under Article 6^{bis} of the Paris Convention, the government may make appropriate revisions to those regulations. Furthermore, the government has discretion to grant Cubatabaco a specific license, if deemed appropriate, to relieve the entity of the obstacles that the CACRs may pose to its assertion of trademark rights. See 31 C.F.R. 515.201. Cubatabaco has applied for a specific license to acquire retroactively the COHIBA trademark in the United States by operation of the famous marks doctrine, and this license request is pending.

without a claim of ownership of the United States trademark, would provide an avenue for obtaining the relief that Article 6^{bis} envisions. See Pet. App. 71a-72a. Cubatabaco, however, did not preserve such a claim in this case. The court of appeals expressed its view that such a claim, in any event, would not be available, *id.* at 31a-35a, and it further stated its view that Article 6^{bis} and Sections 44(b) and (h) of the Lanham Act would not “require cancellation of [respondents’] properly registered trademark or an injunction against its use of the mark in the United States under these circumstances,” *id.* at 38a. The court of appeals then stated that, if there were “an irreconcilable conflict” between the CACRs and Article 6^{bis}, the CACRs would prevail. *Ibid.* The government did not address the question of what result would obtain if the CACRs and Article 6^{bis} were in conflict. The court of appeals’ observation that the CACRs would prevail in such a situation is plainly dicta that is not likely to “embarrass the Executive in its conduct of foreign relations” (Pet. 22), especially in light of the Executive’s ability to modify the CACRs to ameliorate any perceived conflict. See note 4, *supra*.

In any event, the resolution of a hypothetical conflict between the CACRs and Article 6^{bis} of the Paris Convention does not warrant this Court’s review. As noted above, the specific legal question here—whether the holder of a famous mark from an embargoed country can obtain the cancellation, and injunction against the use, of a competing domestic mark—is so narrow that this is the only known case involving such a question. Nor is there any broader question here worthy of this Court’s review. This Court has clearly articulated the relevant legal standard: “[W]hen a statute which is subsequent in time is inconsistent with a treaty, the statute to the extent of conflict renders the treaty null.” *Brand v. Grevue*, 523 U.S. 371, 376 (1998) (quoting *Reid v. Covert*, 354 U.S. 1, 18 (1957) (plurality opinion)). The

court of appeals properly acknowledged that standard. See Pet. App. 38a.⁵

3. Cubatabaco urges (Pet. 28-29) that this Court should review the court of appeals' reaffirmation of its decision in *Havana Club Holding, supra*, that Sections 44(b) and (h) of the Lanham Act do not provide a basis for seeking relief under the Inter-American Convention that is not related to the repression of unfair competition. See Pet. App. 39a-43a. This Court has already declined to review the court of appeals' decision in *Havana Club Holding*, 531 U.S. 918 (2000), and nothing has changed since that time. There is no conflict among the courts of appeals on the issue. Indeed, the Second Circuit, in this decision and in *Havana Club Holding*, is the only court of appeals to address the issue. There accordingly is no basis for this Court's review of that issue.

⁵ Cubatabaco suggests that the specific language of the LIBERTAD Act, together with the particular sequence of events here combine to render the court of appeals' application of *Brard* incorrect. Pet. 23-24. But even if that argument had merit, the erroneous application of a correct legal rule would not provide an appropriate basis for this Court's review.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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MAY 2006

DEC - 2 2005

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In The
Supreme Court of the United States

EMPRESA CUBANA DEL TABACO,
d/b/a/, CUBATABACO

Petitioner,

v.

GENERAL CIGAR CO., INC. and
GENERAL CIGAR HOLDINGS, INC.,

Respondent.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit**

**BRIEF OF AMICUS CURIAE THE NATIONAL
FOREIGN TRADE COUNCIL IN SUPPORT
OF PETITION FOR CERTIORARI**

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STATEMENT OF INTEREST

The National Foreign Trade Council ("NFTC") is the premier business organization in the United States advocating and advancing a rules-governed world economy. The primary source of those rules are the multilateral treaties that regulate and facilitate trade, investment and the protection of intellectual property rights worldwide. Continued United States adherence to its commitments under one such treaty, the Paris Convention for the Protection of Industrial Property – and the importance of that adherence to American companies engaged in international trade – is the issue at the heart of this case.¹

The NFTC was founded in 1914 by a group of American companies that supported an open world trading system in a period of escalating commercial and military rivalries that were soon to produce World War I. Today the NFTC and its affiliates serve over 300 member companies through offices in Washington and New York.

The Council's membership includes manufacturing corporations, financial institutions and other U.S. firms having substantial international operations or interests. It is the oldest and largest U.S. association of businesses devoted to international trade matters. Its membership consists primarily of U.S. firms engaged in all aspects of international business, trade, and investment. Most of the largest U.S. manufacturing companies and most of the 50 largest U.S. banks are members of the NFTC. Council

¹ In accordance with Supreme Court Rule 37.2(a), the NFTC has obtained written consent to the filing of this *amicus curiae* brief from the counsel of record for both parties. Those letters of consent have been filed with the Clerk of the Court. Pursuant to Supreme Court Rule 37.6, *amicus curiae* certifies that this brief was not authored, in whole or in part, by counsel for a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than *amicus curiae* or its counsel.

members account for at least 70% of all U.S. non-agricultural exports and 70% of U.S. private foreign investment.³

The mission of the NFTC is to promote efficient and fair global commerce through advocating public policies that foster an open international trade and investment regime. To that end the NFTC mobilizes expertise and disseminates information on key issues concerning the world trading system. The NFTC influences public debate through interaction with policy makers and opinion leaders and by convening government-private sector discussions of important international trade and investment issues.

The NFTC periodically provides testimony to Congress on issues of concern to member companies and legislators. Last year, for example, the President of the NFTC, William A. Reinsch, testified before the Senate Committee of the Judiciary on a matter very similar to the principal issue arising from this case – that is, the importance of the preservation, on behalf of the United States' corporate sector, of a settled international trading order sustained by United States adherence to its global intellectual property treaty commitments. The position of the NFTC as it relates to matters such as the one at issue in this case – i.e., reciprocal recognition and enforcement between the United States and Cuba of the "famous marks doctrine" relating to trademarks – is to support adherence to all treaties that expand U.S. exports, protect U.S. foreign investment and enhance the competitiveness and profitability of U.S. industry through the promotion and maintenance of a fair and equitable trading system.

³ A list of members that constitutes the NFTC's Board of Directors is available at <http://www.nftc.org/default.asp?Mode=DirectoryDisplay&id=134>

The NFTC is regularly involved in litigation relating to international commerce and foreign policy issues. A recent example is the case of *Crosby v. National Foreign Trade Council*, 530 U.S. 363 (2000), in which the NFTC brought suit in a successful challenge to a Massachusetts' law that attempted to block trade with Burma. The Court held that law to be pre-empted by the supremacy clause of the Constitution (Art. VI, cl. 2).

The Second Circuit Court of Appeals' decision in what has come to be called in the international trade community the "*Cohiba* cigar case" devolved on a finding by the court that a set of Treasury Department regulations *must* be construed to abrogate U.S. treaty obligations owed Cuba under the Paris Convention. Remarkably, the Second Circuit's decision is in direct contradiction to the stated position of the General Counsel of the Treasury Department (expressed in an *amicus curiae* letter to the court), that stated unequivocally his agency's view that the Cuban embargo regulations his Department both promulgated and enforce on an almost daily basis, "do not prohibit the district court's order canceling General Cigar's *Cohiba* registration and enjoining that company from using the *Cohiba* mark." That view was not arrived at perfunctorily, but rather was the product of what the Treasury Department described to the district court as "high level consultations" with the Department of State, the Office of the United States Trade Representative and the U.S. Patent and Trademark Office.

In particular, the Treasury Department's General Counsel advised that the United States is "required" by Article 6bis of the Paris Convention to grant cancellation and injunctive relief in the *Cohiba* case based on the

factual findings of the district court.³ He went on to state his agency's conclusion that the district court correctly found that section 43(a) Lanham Act relief could be judicially applied on behalf of the Cuban owner of the *Cohiba* trademark under current embargo regulations, and that such relief "harmonizes the [Lanham Act] with Article 6bis of the Paris Convention, to which both the United States and Cuba are parties, and which the Lanham Act implements in the United States."

The NFTC and its members have a genuine and compelling interest in a proper application in the *Cohiba* cigar case of such principles as judicial deference to the Executive Branch in matters of foreign policy and firm support of U.S. adherence to its treaty obligations. The NFTC's interest rests on three concerns that arise from the Second Circuit's decision: (1) The decision will prove damaging to the commercial interests of U.S. companies in foreign markets if it is allowed to stand as a precedent for the proposition that foreign trade sanctions, as conceived and imposed by the Executive Branch, may be held by the courts - in *opposition* to the position of the U.S. agencies charged with promulgating and administering those trade sanctions - to *compel* abrogation of U.S. treaty obligations in order to inflict unilateral, judicially ordained disabilities on the nationals and companies of sanctioned countries. (2) Trademarks registered in Cuba by NFTC member companies are now in jeopardy as a result of the Second Circuit's unilaterally-ordained U.S. abrogation of the treaty obligations owed to Cuban nationals and companies

³ Article 6bis of the Paris Convention for the Protection of Industrial Property (to which both the United States and Cuba are signatories), provides that: "[signatory nations] undertake . . . to refuse or to cancel the registration, and to prohibit the use [of a trademark] . . . liable to create confusion [with] a mark . . . well known . . . as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods."

under the Paris Convention. (3) U.S. companies will lose the benefits they at present derive from United States adherence to its global intellectual property treaty commitments, because, without such adherence, the U.S. loses the moral authority it must possess if it is to demand successfully reciprocal adherence from other nations to *their* treaty obligations that protect U.S. intellectual property abroad.

On the basis of the concerns identified above, *amicus curiae* urges the Court to review the Second Circuit's decision in the *Cohiba* case for (i) its conformity to the most basic principles of deference to Executive Branch decisions and (ii) its regard for this nation's treaty obligations, something the Court has instructed repeatedly the lower courts *must* adhere to when adjudicating cases that involve the foreign relations of the United States.

SUMMARY OF ARGUMENT

This case arises from an extraordinary sequence of events in which the Second Circuit Court of Appeals began by requesting guidance from the Executive Branch on the correct interpretation of a set of regulations that constitute the U.S. embargo on Cuba, and ended by that court acting directly contrary to the interpretation it received.

The court's request was directed to the agency entrusted by express presidential delegation with creating, implementing and enforcing the Cuban embargo – the United States Department of the Treasury. Upon review of that agency's interpretation of the proper scope and application of its embargo regulations relating to Cuba and the interconnectedness of those regulations and U.S. treaty obligations owed to Cuba under the Paris Convention, the Court of Appeals rejected – indeed, spurned – the very Executive Branch guidance it sought and instead of deferring to the interpretation it received, it substituted

its own view of how the Treasury Department's Cuban embargo regulations should be construed and applied. A direct consequence of the Second Circuit's action was to put the United States – as that court *knew* it would – in breach *vis-à-vis* Cuba of the Paris Convention.

The NFTC is unaware of any case in which the federal courts have acted in such disregard of the venerable foreign affairs authority of the President of the United States, as delegated to an Executive Branch agency. In its decision the Court of Appeals (1) violated the doctrine of judicial deference to an agency's interpretation of its own rules, particularly if those rules involve this nation's foreign relations; (2) construed a set of administrative regulations in such a way as to find an abrogation *vis-à-vis* Cuba of the Paris Convention when there was *no* evidence of any intention by either Congress or the Executive Branch to rescind or otherwise impair the rights of Cuban nationals under that treaty; (3) usurped the Executive Branch's prerogative of conducting the nation's foreign relations regarding Cuba in a flexible manner that, among other things, gives due consideration to the reciprocal treaty obligations the United States shares with that country.

ARGUMENT

I. Background to the Embargo on Cuba and a Comment on the Important U.S. National Interest in Preserving Treaties Intact During Temporary U.S. Trade Sanctions, so that Post-Embargo Trade May Be Freely Resumed with Formerly Sanctioned Countries

Since 1963, the United States has imposed a comprehensive embargo on Cuba. *See Regan v. Wald*, 468 U.S. 222, 226 n.4 (1984). The authority for the Executive Branch's imposition of that embargo is provided by the

Trading With the Enemy Act of 1917 ("TWEA"), codified at 50 U.S.C. App. § 1-44.

The specific (and shifting) terms of the embargo on Cuba are contained within the Cuban Asset Control Regulations ("CACR"), as they are amended periodically to effectuate each Administration's determinations with respect to Cuba. Those Regulations were promulgated by the U.S. Department of the Treasury in first instance and are enforced and regularly revised by that agency as an aspect of the foreign relations of the United States. See 31 C.F.R. Part 515.

The Trading With the Enemy Act's authorization (at § 5(b)(1)(b)) of an embargo on Cuba "under such rules and regulations as [the president] may prescribe" was delegated by the president some decades ago to the Secretary of the Treasury, who in turn devolved that authority onto the Treasury Department's Office of Foreign Assets Control ("OFAC"). See *Sardino v. Federal Reserve Bank of New York*, 361 F.2d 106, 109 n.2 (2d Cir.), cert. denied, 385 U.S. 898 (1966) and 31 C.F.R. § 515.802.

It is a fundamental aspect of this case that the Court has emphasized the breadth of discretion given the Executive Branch by the Trading with the Enemy Act. See *Regan v. Wald*, 458 U.S. at 232 n.16 (noting the "sweeping statutory language" of TWEA and describing efforts to limit Executive Branch authority under that statute as "border[ing] on the frivolous"). See also *Dames & Moore*, 453 U.S. 654 at 672 (1981) ("the legislative history and cases interpreting the TWEA fully sustain the broad authority of the Executive when acting under this congressional grant of power").

The Court's past characterizations of the broad reach of Executive Branch authority under the TWEA is in keeping with the Court's understanding that the Constitution confers a broad prerogative on the President and his delegates to conduct the country's foreign affairs. Indeed,

because the President's authority over the country's foreign relations is plenary, it follows that the decisions of those in the Executive Branch to whom he has delegated that authority – including the Treasury Department in its role as administrator of the embargo on Cuba – are entitled to very great deference. See *Regan v. Wald*, 468 U.S. at 242 (citing *Harisiades v. Shaughnessy*, 342 U.S. 580, 589 (1952), “[m]atters relating ‘to the conduct of foreign relations. . . . are so exclusively entrusted to the political branches of government as to be largely immune from judicial inquiry or interference.’” See also *United States v. Curtiss-Wright Corp.*, 299 U.S. 304, 320 (1936) (describing “the very delicate, plenary and exclusive power of the President as the sole organ of the federal government in the field of international relations”).

Perhaps no non-governmental organization in the country possesses experience (and hence expertise) comparable to the NFTC's in assessing the scope and efficacy of this country's foreign economic sanctions programs. A frequently mentioned fact of the post-World War II era of international relations is that such programs have proliferated.⁴ Instead of being deployed as a last resort, trade embargos and other economic sanctions have often become the tools of first choice in the pursuit of this nation's foreign policy goals. Too frequently the sanctions imposed end up falling heavily on the U.S. corporate sector in terms of lost overseas trade opportunities, which, in turn, often translate into lost American jobs. For this reason the NFTC has long counseled caution in the imposition of

⁴ See Testimony of Under Secretary of State Stuart Eizenstat before the Subcommittee on Trade of the House Committee on Ways and Means, *Hearing on the Effect and Use of Unilateral Trade Sanctions*, October 23, 1997. (“The U.S. has applied sanctions for foreign policy purposes a total of 115 times since World War I, 104 times since World War II . . .”).

economic sanctions. It has warned repeatedly that sanctions, at the very least, should not be deployed without a review of (i) their impact on United States companies engaged in international trade, (ii) the likelihood of their success in achieving a desired foreign policy goal and (iii) their conformity to this country's international treaty commitments.

However, with or without the concurrence of organizations like the NFTC, the current President and his successors will doubtless continue to institute new economic sanctions programs in support of U.S. foreign policy goals. When that happens it is no longer the wisdom of the United States' mode of achieving its foreign policy goals that is at issue. What is at issue is, in fact, the central issue in *this* case: Whether the judiciary should, in the absence of a statutory directive *clearly* to the contrary, continue its historical and constitutional deference to the Executive Branch in its interpretation of the scope and application of the U.S. sanctions programs it has been charged by Congress with promulgating and administering? As has been long recognized, such deference is most acutely required where there is the possibility of a clash between the interpretation or implementation of a particular federal regulation and a United States' treaty obligation – which was precisely the situation in the *Cohiba* case.

Obviously no embargo or other United States' economic sanctions program lasts forever. Foreign governments change as rapidly and frequently as heads of state such as Manuel Noriega, Slobodan Milosevic and Saddam Hussein are displaced. The important point is that with each such change of government in a country under sanctions, there is inevitably a desire by U.S. companies to resume trade with the previously embargoed country. That desire is shared and promoted by the United States Government on dual pragmatic grounds, (i) U.S. exports support U.S. jobs and (ii) the resumption of trade relations

with previously sanctioned countries strengthens good political relations with those countries. However, resumption of trade with a previously sanctioned country depends on maintaining extant, over the life of a particular embargo, treaties that govern and facilitate that trade. It is a simple truth that in today's global economy no nation-to-nation trade occurs outside the framework of bilateral or multi-lateral treaties that define the scope and nature of that commerce.

It is therefore of enormous importance that U.S. economic sanctions programs that, by their very nature are temporary, are *not* applied by the courts in ways that breach and therefore terminate this country's reciprocal treaty obligations with countries upon which those sanctions have been transiently imposed. This is especially so with respect to treaties for the protection of intellectual property rights. The problem is an obvious one. If the U.S. breaches its treaty obligation to protect a foreign national's trademark in this country during the life of an embargo, the country of origin of that trademark is, by operation of public international law, relieved of its obligation to protect U.S.-origin trademarks there. Because intellectual property rights exemplify the concept of the zero sum game (i.e., there can be only one winner (holder) of a trademark in any country), the loss of official protection of a U.S. company's mark in a particular country will inevitably be a foreign company's gain. But the loss to that U.S. company can extend well beyond simply losing the market for its branded product in a single country. Where there is a gap in a country's global web of trademark registrations there is always the possibility of the counterfeiting of trademarked goods. Those goods almost always find their way into third-country markets. Once there, they displace the market for the genuine U.S. trademarked article and because of typically poor quality control, they lessen the reputation of that brand. In the case of "well-known marks," the U.S. export sector has the

most to lose through non-compliance with treaty obligations protecting such marks. This vulnerability is a simple factor of U.S. predominance in the production of famous branded products ranging from clothing to food, beverages and a vast range of technology.

The Second Circuit's decision in the *Cohiba* case is particularly troubling because the reciprocal protection of one another's intellectual property rights has been one of very few bright spots in the decades-old United States embargo on Cuba. The Cuban Assets Control Regulations have traditionally allowed Cuban and U.S. owners to freely renew and enforce their trademarks in one another's countries.⁵ Those Regulations continue a longstanding Executive Branch policy of maintaining in force reciprocal treaties for the protection of intellectual property rights in order to preserve foreign registered U.S. intellectual property intact during the life of embargoes on sanctioned countries.⁶ Congress has concurred in that policy for nearly a century, as is demonstrated in its passage of the Trading with the Enemy Act itself in 1917. That statute specifically authorizes aliens to register trademarks and to bring suits in the U.S. against infringers.⁷ TWEA permits companies from embargoed nations to prosecute treaty-based trademark infringement actions even during wartime embargoes. For example, in *G.H. Mumm Champagne v.*

⁵ See 31 C.F.R. §§ 515.527, 528.

⁶ Cuba enforces the "famous marks" provision of Article 6bis of the Paris Convention on behalf of U.S. companies. See Decision No. 833 (*Hard Rock Café*), Popular Supreme Tribunal of Cuba, Civil and Administrative Chamber (1995).

⁷ "Any enemy, or ally of enemy, may institute and prosecute suits in equity against any person . . . to enjoin infringement of letters-patent, trademark, print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner to the extent that he would be entitled to do so if the United States was not at war." 50 U.S.C. App. § 10(g).

Eastern Wine Corp., 142 F.2d 499 (2d Cir.), *cert. denied*, 323 U.S. 715 (1944), the Second Circuit upheld unanimously a trademark infringement action brought by an embargoed French company during World War II. In so doing, the court gave effect to the judgment of both political branches of the government – as embodied in legislation and implementing regulations – that rights to intellectual property secured by international treaty obligations should be enforceable in this country's courts by foreign companies subject to U.S. trade embargoes. This position accords with the common sense approach adopted by the New York Court of Appeals when it said: "... treaty provisions compatible with a state of hostilities, *unless expressly terminated*, will be enforced ..." *Techt v. Hughes*, 229 NY 222 (1920). (Emphasis added). The NFTC is in complete agreement with that statement and suggests that a contemporary declaration from the Court to the same effect in the *Cohiba* case is in the United States' national interest, as that interest surely extends to the competitive participation of U.S. companies in international trade.

II. The Department of the Treasury's Interpretation of the Cuban Embargo Regulations as Permitting Legal Relief to a Cuban Company Under the Paris Convention Was Entitled to Great Deference from The Second Circuit – But it Did Not Receive it

The Court in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), emphasized that the separation of powers mandated by the Constitution requires courts to defer to the Executive Branch's interpretation of its own regulations. And if Congress has not "directly spoken to the precise question at issue," the court must sustain the Executive's interpretation so long

as it is 'based on a permissible construction of the statute.'" See *Auer v. Robbins*, 519 U.S. 452 (1997).

The courts have in particular recognized the need to defer to the Executive Branch's interpretation of statutes and regulations concerning foreign policy and national security. "In matters like this, which involve foreign policy and national security, we are particularly obliged to defer to the discretion of executive agencies interpreting their governing law and regulations." *Paradissiotis v. Rubin*, 171 F.3d 983 (5th Cir. 1999); see also, e.g., *Consarc Corp. v. Treasury Dep't, OFAC*, 71 F.3d 909, 915 (D.C. Cir. 1995) and *Milena Ship Management Co. v. Newcomb*, 995 F.2d 620, 623-624 (5th Cir. 1993). That deference is both appropriate and required "in light of the primacy of the Executive in the conduct of foreign relations and the Executive Branch's lead role in foreign policy." *Taiwan v. United States District Court*, 128 F.3d 712, 718 (9th Cir. 1997) (internal quotation marks omitted).

Contrary to an unbroken line of authority to the same effect, the Second Circuit in the *Cohiba* case accorded no deference whatever to the Treasury Department in its interpretation of the Cuban embargo regulations - it drafted, amends periodically and is charged with enforcing. Instead, the court substituted its judgment as to the purpose, scope and application of that embargo. In so doing it decreed the abrogation of a treaty by the U.S., thereby throwing this country's trademark relations with Cuba into uncertainty and potential chaos. The damage to the doctrine of separation of powers created by the *Cohiba* case is of great concern to the NFTC. In the interest of ensuring that the U.S. speaks with one voice in its foreign trade sanctions policies, the NFTC urges the Court to grant review in this case.

III. The Second Circuit's Decision in the *Cohiba* Cigar Case Has Put Thousands of U.S. Trademarks Registered in Cuba at Risk of Losing the Reciprocal Protections of the Paris Convention That They Presently Enjoy

Both customary international law and the law of treaties permit "a party specially affected by the breach [of a multilateral treaty] to invoke it as a ground for suspending the operation of the agreement in whole or in part in the relations between itself and the defaulting state."⁸ Suspension by Cuba of the Paris Convention *vis-à-vis* the United States, were it to occur, would result in great uncertainty regarding the present and post-embargo status of the thousands of trademarks U.S. companies, including NFTC members, have registered and maintained in Cuba under 31 C.F.R. § 515.528.⁹ Even worse, those marks could well be lost to interlopers if the protections of the Paris Convention are withdrawn or otherwise withheld from U.S. companies.

As a result of the Second Circuit's decision in the *Cohiba* case the Government of Cuba has on several occasions threatened at the United Nations and elsewhere to withdraw the protections it affords U.S. trademarks under the Paris Convention.¹⁰ Whether it will do so or not cannot be known at this time.

⁸ Restatement (Third) of the Foreign Relations Law of the United States, § 335(2)(b) and the Vienna Convention on the Law of Treaties, Article 60(2)(b).

⁹ For a very partial list of the U.S. trademarks registered in Cuba see <<http://www.cubatrade.org/trademark.html>>

¹⁰ See Report by Cuba on Resolution 59/11 of the United Nation's General Assembly, August 19, 2005, "... this decision [i.e., of the Second Circuit in the *Cohiba* case] disregards the United States' international obligations with respect to trade and the protection of trademarks. The logic of this Court of Appeals is that the international obligations of the United States with respect to Cuba should be

(Continued on following page)

But given the experience in South Africa of the NFTC's members (to be described in a moment), *amicus curiae* is unwilling to merely hope that an outcome that could significantly injure the trademark rights of U.S. companies in Cuba does not occur. Hence the filing of this brief.

Because of the Second Circuit's decision in the *Cohiba* case U.S. companies face the likelihood of a repeat of their difficult and, for some, costly experience in South Africa when the United States began lifting its sanctions in the early 1990s. That experience is a cautionary tale that demonstrates the mischief that results when trade embargoes are misapplied and in consequence are allowed to inhibit or destroy reciprocal trademark protections.

Under the U.S. trade embargo of South Africa, U.S. companies were prohibited from paying the fees necessary to either file trademark applications or maintain existing trademark registrations pursuant to various intellectual property treaties. When the embargo ended, a number of U.S. companies with internationally-recognized trademarks, including, *Burger King*, *Toys R Us*, *7 Eleven*, and *Victoria's Secret* discovered that their trademarks in South Africa had been appropriated by unauthorized persons during the apartheid era. This led the U.S. Trade Representative to identify South Africa as a "Special 301" country in 1996.

governed by the illegitimate and unilateral norms of the hostile economic, commercial and financial blockade imposed on the island ... Cuba warns the international community that if the United States ... usurp[s] internationally prestigious Cuban trademarks protected by international conventions and treaties, a climate of uncertainty and a questioning of these rights could be the result, concretely affecting not only Cuba but also the economic and commercial interest of entities in the United States itself." UN Doc. A/60/213 (Aug. 19, 2005) (Annex), available at <http://daccessdds.un.org/doc/UNDOCGEN/N05/467/14/PDF/N0546714.pdf>

Recovering the rights to their trademarks necessitated lengthy and expensive litigation on the part of U.S. companies and attempts by organizations such as the NFTC to encourage the South African government to amend its laws. It would be most unfortunate if American companies and the NFTC were required to do the same once again with Cuba because of the Second Circuit's decision in the *Cohiba* case.

The instructive tale of South Africa and U.S.-origin trademarks exemplifies the importance of the United States maintaining an intellectual property policy with respect to Cuba that complies with our treaty commitments during the pendency of the trade embargo on that country. The Treasury Department has done so in the *Cohiba* case by construing its regulations to permit appropriate judicial relief to a Cuban company under the Paris Convention. It now needs the support of the Court in its principled endeavor to honor the treaty commitments the United States undertook when it became a signatory to that Convention.

IV. In the Absence of a Clear Statement of Congressional Intent, Courts Must Not Construe a Statute to Abrogate Treaties

The Second Circuit Court of Appeal's decision in the *Cohiba* case is contrary to the unanimous holding of the Second Circuit in *G.H. Mumm Champagne v. Eastern Wine Corp.*, 142 F.2d 299, *supra*, and to the judgment of both political branches dating to World War I – as embodied in treaties, legislation and Treasury Department implementing regulations – that rights to intellectual property and against unfair competition secured by international treaty obligations should be enforceable in U.S. courts by foreign companies which are subject to U.S. trade embargoes.

Congress will not be deemed to have repealed a statute, or abrogated a treaty such as the Paris Convention unless it clearly states an intent to do so.¹¹ On a point to be more fully developed later when the basis for the Second Circuit's decision is examined (i.e., that a provision of a statute called the LIBERTAD Act silently abrogated U.S. adherence to the Paris Convention *vis-à-vis* Cuba): "It is a cardinal principle of statutory construction that repeals by implication are not favored." *United States v. United Continental Tuna Corp.*, 425 U.S. 164, 168 (1976). (Emphasis added). That principle applies with particular acuity when construing a statute that might affect a pre-existing treaty obligation. "[U]nless Congress makes clear its intent to abrogate a treaty, a court will not lightly infer such intent but will strive to harmonize the conflicting enactments." *Trans World Airlines, Inc. v. Franklin Mint*, 466 U.S. 243, 252 (1984) (referring to the "firm and obviously sound canon of construction against finding implicit repeal of a treaty in ambiguous congressional action."); *South African Airways v. Dole*, 817 F.2d 119, 125-126 (D.C. Cir. 1987) (emphasizing need for direct conflict between treaty and later legislation before court will find repeal).

The foregoing cases are only a few of the many examples of Chief Justice Marshall's simple, but powerful, 200 year old maxim of statutory construction: "An act of Congress ought never to be construed to violate the law of nations [i.e., a treaty] if any other possible construction remains." *Murray v. The Schooner Charming Betsy*, 6 U.S. 64, 118 (1804).

¹¹ Under Art. VI of the Constitution treaties of course stand on the same footing as statutes and constitute "the supreme Law of the Land." So what is true of the canons of construction that govern the repeal of statutes, is equally true of the abrogation of treaties.

The explanation the Second Circuit gave in the *Cohiba* case for finding the protections of the Paris Convention abrogated *vis-à-vis* Cuba was that, "Legislative acts trump treaty-made international law when those acts are passed subsequent to ratification of the treaty and clearly contradict treaty obligations." *Empresa Cubana del Tabaco v. Culbro Corp., et al.* 399 F.3d 462, 481 (2d Cir. 2005) (quoting *United States v. Yousef*, 327 F.3d 56, 110 (2d Cir. 2003)).

The court went on to say, "The most recent iteration of the Paris Convention by the United States was in 1970 . . . whereas the [Cuban embargo] regulations were reaffirmed and codified in 1996 with the passage of the LIBERTAD Act . . . (22 U.S.C. § 6032(h)). In these circumstances, any claim grounded in the Paris Convention that presented an irreconcilable conflict with the Regulations would be rendered 'null by the Regulations.'" *Id.* at 481. (Citing *Breard v. Greene*, 523 U.S. 371, 376 (1998)).

Because the LIBERTAD Act does not mention the Paris Convention, the Second Circuit *must* have based its decision in the *Cohiba* case on the belief that the Paris Convention was abrogated by implication when Congress codified the CACR in the LIBERTAD Act. The relevant provision of that statute states: "[t]he economic embargo of Cuba, as in effect on March 1, 1996, including all restrictions under the [CACR] shall remain in effect," until certain specified events relating to political and economic change occur in Cuba.

But, again, courts are to find legislation to have abrogated a treaty only when the intention by Congress to do so is "clear and plain," and there is no alternative to such a finding. *United States v. Dion*, 476 U.S. 734, 738 (1986); *Weinberger v. Rossi*, 456 U.S. 24, 32 (1982); *Trans World Airlines, Inc. v. Franklin Mint Corp.*, 466 U.S. 243, 252 (1984). Abrogation by implication is found only when later legislation is in "irreconcilable conflict" or the legislation "covers the whole subject of the earlier [treaty] and is

clearly intended as a substitute." *Posadas v. National City Bank*, 296 U.S. 497, 503 (1936); cf. *Restatement (Third) of the Foreign Relations Law of the United States* § 115(1)(a) (1986).

The compelling reason for the rule heavily disfavoring U.S. abrogation of treaty commitments by implication is that, "If the United States is to be able to gain the benefits of international accords and have a role as a trusted partner in multilateral endeavors, its courts should be most cautious before interpreting its domestic legislation in such a manner as to violate international agreements." *Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer*, 515 U.S. 528, 539 (1995).

The Paris Convention was not mentioned once in the course of LIBERTAD's passage through Congress. The Court of course disfavors the abrogation of treaties by implication; but here, there is not even a hint of such an implication – because none ever existed.

More generally, nothing in the LIBERTAD Act expressed an intention to do anything that would interfere with the existing regulatory structure of the Cuban Asset Control Regulations that, for nearly forty years, has promoted the reciprocal protection and enforcement of intellectual property rights between the U.S. and Cuba. Which returns us to the principle of statutory construction that ought to have been controlling in the *Cohiba* case: "A 'treaty will not be deemed to have been abrogated or modified by a later statute unless such *purpose* on the part of Congress has been *clearly expressed*.'" *Cook v. United States*, 288 U.S. 102, 120 (1933) (emphasis added) and see also *Cheong Heong v. United States*, 112 U.S. 536, 539-40 (1884).

The law so plainly being what it is, it is impossible to understand how the Second Circuit reached the conclusion that the LIBERTAD Act's "codification" of the embargo somehow altered that embargo to abrogate U.S. treaty

obligations owed under the Paris Convention to Cuban nationals and companies – such as the Cuban creator and owner of the *Cohiba* cigar brand.

The National Foreign Trade Council's members rely on their trademarked brands to open new foreign markets and to maintain or increase their share of existing overseas markets. In the face of strong competition and rampant piracy, reliable protection and enforcement of those trademarks is essential to the success of their American owners in today's truly global trading system. To ensure the necessary protection and enforcement of its nationals' marks, the United States must comply with its treaty obligations by providing foreign companies with effective means to enforce their intellectual property rights in U.S. courts. That is why treaties like the Paris Convention should not be found to have been abrogated by legislation if any other construction is possible – and they must never, as happened in the *Cohiba* case, be found to have been abrogated by implication.

CONCLUSION

For the reasons given above, the NFTC urges the Court to grant the petition for *certiorari* in this case.

Respectfully submitted,

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December 2, 2005